DUN'S REVIEW AND MODERN INDUSTRY

September 1961 75c

- What's Wrong with Profits?
- The Great Soup War
- Pitfalls in Realty Syndicates

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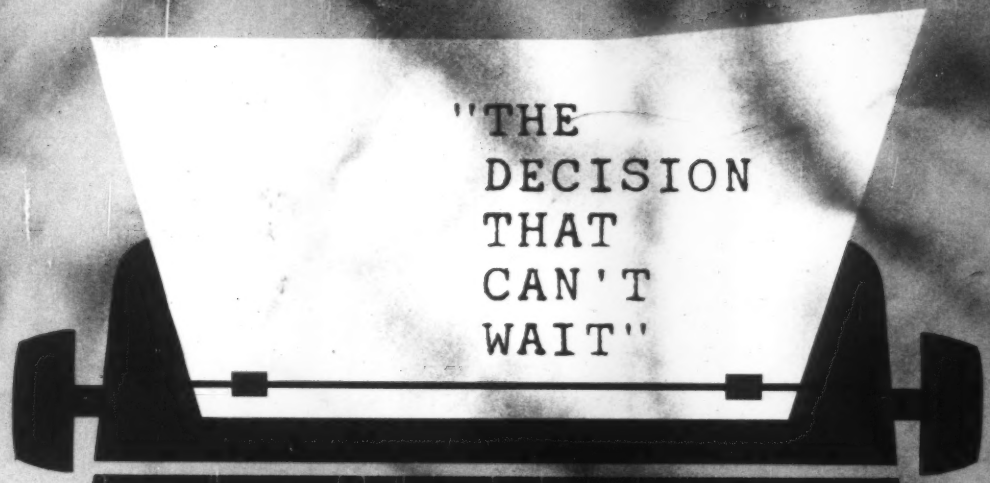

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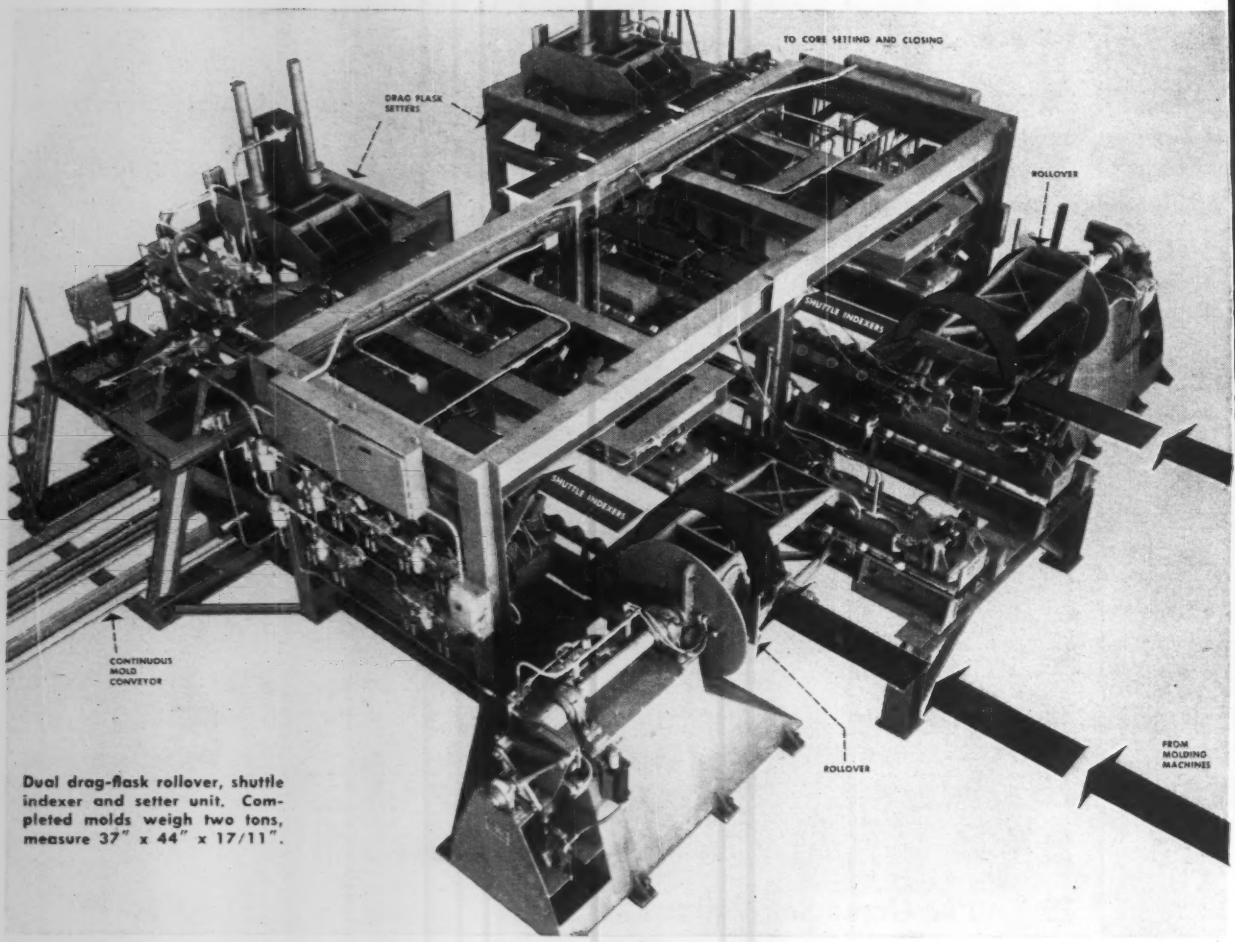

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Letters to the Editor

Health Sops?

SIR: Repetition of the same old sops about executive health still sells articles it seems ("Is Your Memory Playing Tricks?" DUN'S REVIEW, July). And certain "commercial medical diagnostic houses still profit by catering to the waning prowess of our overfed, overpaid, high-strung executive horseflesh.

After the usual flattery of your readers by building up the mythical "stress and strain" concept of aging, . . . there are some "new" ideas for sale—air-conditioning one's office, cutting down on animal fats, eating five times a day. . . .

There is, of course, no reason why a big shot with a Mercedes shouldn't have any harmless toy he wants, including air-conditioning, as long as it is realized that important health benefits of such machines are only established for asthmatics and people with manifest heart disease.

The most seriously misleading statement of your article is that about keeping blood cholesterol to a minimum: "As far as possible, substitute vegetable oils for the animal fats in your diet." Your advice carried to its logical conclusion is to become vegetarian, and no responsible scientist has recommended that.

The *elimination* of one unit of saturated fat (of either animal *or* vegetable origin) is about twice as efficient in cholesterol lowering effects as *adding* one unit of unsaturated fat (of either animal *or* vegetable origin).

HENRY W. BLACKBURN JR., M.D.
Medical Director,
Mutual Service Insurance Cos.
Saint Paul, Minn.

SIR: You have rendered a great service in putting the facts squarely on the line concerning executive health and the need for adjusting to diminished physical and mental capacity. We do get older, and it is a foolish man who does not recognize this and make the necessary modifications in his business and personal life.

I am constantly amazed at the lack of knowledge top-level executives have about their own health. They are extremely knowledgeable when it comes to the preventive maintenance of plants and equipment and the necessity of spending substantial corporate resources on such maintenance.

However, they frequently are not positive enough about the need for good maintenance of human machinery and the consequent expenditure of corporate funds and effort to keep men working effectively.

RICHARD E. WINTER, M.D.
Executive Director,
Executive Health Examiners
New York, N.Y.

SIR: Your excellent article should be required reading for all businessmen over 45.

MAXIMILIAN SCHWARZ, M.D.
New York, N.Y.

Businessmen's Split

SIR: Astounding! A mild description of the views expressed in your article, "Can Free Enterprise Come Back?" (DUN'S REVIEW, July). If the leaders of industry are split 50-50 on vital issues, why should the Government be concerned with the views of a group that does not have a common goal and a united plan?

Could it be that some types of business don't care who foots the bill as long as they stay in business?

K. STOLTENBERG
Electronic Engineering Services
Rochester, Minn.

Bond Taxes

SIR: Your article, "Little Risk—and an 8% Return," (DUN'S REVIEW, August) states that "municipal bonds are even exempt from state income taxes in the state where they are issued." In many years of tax-paying I have always paid state income tax on interest from municipal bonds regardless of where issued.

ALFRED J. SCHULZ
Milwaukee, Wisc.

Reader Schulz has the misfortune to live in one of the eight states that do tax the interest on their own obligations: Colorado, Idaho, Kansas, Montana, Ohio, Oklahoma, Utah and Wisconsin—ED.

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DUN'S REVIEW
AND MODERN INDUSTRY
September 1961

A tax cut still is a very real possibility for 1962. It is far from a sure thing, but it is not the dead duck that many pundits think. A number of high Administration officials are anxious to put through a tax reduction next year, and they believe they will be able to turn the trick. The tax-cut supporters can count on strong backing from Democratic politicians--particularly from senators and representatives who will be up for re-election in November 1962. A tax cut is one of the pleasantest things a member of Congress can talk about to his constituents.

The current tax-cut talk among knowledgeable Administration officials is a second go-round. Treasury Secretary Douglas Dillon had all but formally promised a 1962 tax reduction before the Berlin crisis precipitated a sharp step-up in defense spending. Then the pendulum swung to the other extreme. President Kennedy came within a hair's breadth of asking a $2-billion tax increase to cover the cost of the bigger preparedness programs. He settled instead for a pledge to ask for higher taxes in January if a fiscal 1963 budget deficit seems likely at that time. Publicly, that is where the matter rests.

Why then is there a new freshet of tax-cut talk? The answer is that some Administration experts think there is a good chance of a modest budget surplus in fiscal 1963. This, they believe, means a tax cut is still feasible. They know that Government spending is going up faster than had been expected. But their hunch is that tax revenues will rise strongly, that the added Federal outlays will largely be offset by bigger revenues.

The next few months will be critical. A final decision will not be made--at the earliest--until just before the President sends his budget to the printer at the end of December. It is even possible that the decision will be delayed until after that. Kennedy will want to see how Congress finally disposes of his current spending proposals. He will also want the latest information on the business outlook and tax receipts prospects. The more vigorous the business upturn, the bigger will be the Treasury's tax collections.

* * *

Borrowing costs are going up. This is the normal, cyclical movement that follows every recession. Now it is plainly underway. It costs more to borrow now than it did during the spring and early summer. It will cost even more at the end of the year than it does now.

Long-term interest rates are going up. So are short-term charges. The Berlin crisis triggered the most recent advance and ended Administration hopes that it might be possible to prevent all but marginal advances during the second half of this year.

There is no present prospect of a sharp, post-1958 recession upsurge

in yields. For one thing, rates were markedly higher at the end of this recession than at the end of the last one. For another, capital demands still look manageable despite the increasingly big fiscal 1962 budget deficit. Big as it is, it is a smaller deficit than the record peacetime red-ink entry that President Eisenhower posted in fiscal 1959. And private borrowing demands are not putting undue pressure on the supply of capital. Rates will go higher. But the best judgment of Washington officials is that it will be a slow rise, not a jet-propelled takeoff.

* * *

The nation's world payments deficit is shrinking. The Administration's efforts to chop its size have so far been successful. The gold outflow has stopped and it now looks as though this year's deficit will be about $1 billion, far smaller than last year's painfully large $3.9 billion and the preceding year's $3.8 billion.

Highlight of the sharp improvement in the U.S.' position were the results for the second quarter: we actually posted a tiny balance-of-payments surplus. What turned the tide were special repayments of foreign debts--repayments that will not be repeated. But the second-quarter figures do show an underlying improvement--exports are up, and imports are down.

How permanent is this improvement? No one in the Administration knows for sure. The feeling is that there will be a bigger deficit next year, though not nearly so big as in 1959 or 1960. The U.S.' own business recovery will breed next year's balance-of-payments difficulty. Imports will climb as U.S. business improves. Exports will, at best, rise more slowly --and may even decline.

* * *

White House economists are keeping close tabs on the automobile industry for their next important clue to the course of the business recovery. It is a familiar story: as autos go, so goes the economy. Heavy consumer buying of the new models could quickly make the business upturn into something close to a boom--with all the dangers of inflation. Cold consumer response to Detroit's 1962 lines would take much of the steam out of the advance, douse fears of inflation, reawaken talk of a need for additional Government action to reduce unemployment.

The summer "lull" has ended. Consumers are returning from their vacations. The automobile companies should not have to wait long for a verdict.

* * *

A boost in the cost of imported commodities may come from a policy change in Washington. First sign of the change: The U.S. has declared its willingness to negotiate a coffee price stabilization agreement with coffee-producing countries. The U.S. is becoming increasingly sympathetic to the problems of underdeveloped countries that depend on commodity earnings for essential foreign exchange. When commodity prices fall, these countries are hard hit; they have no other way to earn foreign capital to finance development programs and pay loan costs.

One way the industrial nations can help is to join in price stabilization agreements. The Administration has let it be known that it will allow the International Monetary Fund to help out more than in the past.

--Joseph R. Slevin

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Trend of Business

Sales: *Expected to gain after summer slowdown*
Production: *Barring strikes, further increases likely*
Inventories: *Gaining but still low relative to sales*
Government: *Increased defense needs will help recovery*

THE pickup in business activity is continuing, despite the slowing by the summer lull. Further gains during the fall and winter months should carry the upsurge well into 1962 and perhaps beyond. Increases in defense needs and further inventory accumulation point to continued growth in the months ahead.

Gains in personal income and manufacturers' new orders should bring increases in the sluggish retail trade. Business profits are expected to continue their improved tone and give a boost to new plant and equipment expenditures later in the year. The level of unemployment continues to be a matter of concern. But as the momentum of recovery picks up toward the end of the year, improvement is expected.

Industrial production aims to new highs if labor difficulties can be avoided.

Pacing the recovery so far has been rising industrial production, boosted by the end of inventory liquidation. Gross National Product, the value of all goods and services produced, jumped from an annual rate of $501 billion in the first quarter to $515 billion in the second quarter, accompanied by no appreciable price changes. It is expected to rise further to a level of $535 billion by the end of the year. And the Federal Reserve Board's Index of Industrial Production (1957=100) was at 110 by June, approaching the January 1960 all-time high of 111. This is a sharp improvement from the February 1961 low of 102.

The rate of gain in steel output slowed a little more than expected during the July and August vacation lull, dampening some of the enthusiasm generated by second-quarter gains. But the outlook remains bright for the rest of the year. Automakers are expected to begin buying in quantity for new model production. And while steel inventories are up a bit from last spring, they will still have to increase by as much as one half to reach levels considered normal in the industry. These omens signal a brisk rise in steel production in the last quarter.

Spotty price-cutting in steel has involved only a small part of total shipments. Some smaller producers suffered, but the large producers have held firm. Generally, the steel industry is cautiously eying some price increases for the months ahead to aid shrunken profits and to offset wage increases due October 1.

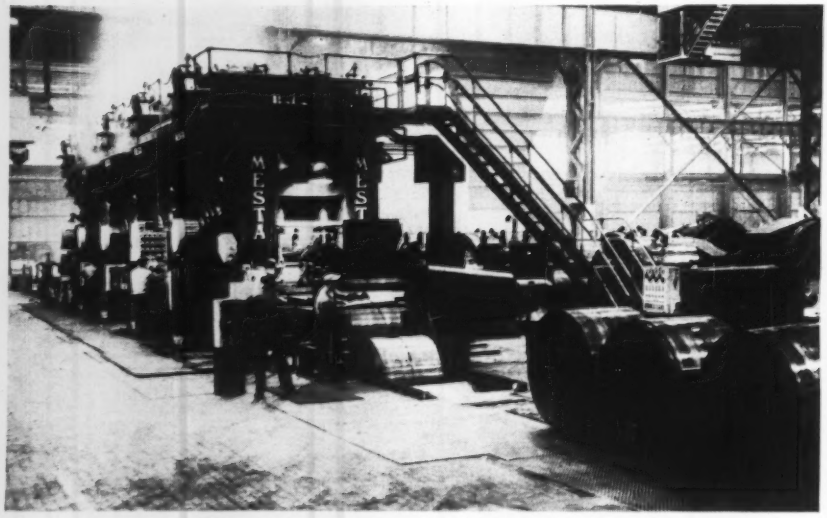
Over the longer haul, steel demand is expected to be aided by the fall-1962 threat of labor difficulties. Depending on how negotiations shape up, some buyers will certainly lay in big inventories against the possibility of another strike.

Unless there is a lengthy labor dispute, auto production will rise rapidly.

The outlook for automobile production is excellent, barring any prolonged labor walkout. With model changeover completed producers will now turn out the 1962 models in quantity to meet the volume of demand indicated by consumer buying surveys. All of 1961 will be below 1960 sales, but 1962 should be strong.

All signs point to brisk sales in the coming months. Inventories of 1961 models have been sharply reduced during the year. There will be no need for a frantic cleanup of old models, and a strong used car market should encourage buyers.

Manufacturers' new orders for durable goods will continue to push up total industrial production for the



THE NATION'S steel mills may well step up their activity during the fourth quarter, provided auto workers do not strike and inventories return to normal.

rest of the year. Sales will probably keep fairly close to new orders, as excess capacity is brought into use. New orders should get some boost with the buildup of inventories in the machinery, construction equipment, furniture and appliance fields.

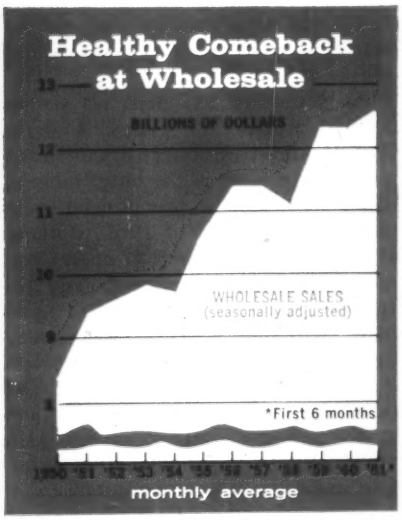
Stepped-up national defense activity will be giving a push to strong forces already at work.

Inventories in relation to sales are now as low as they have been for the last decade. Businessmen are probably proceeding cautiously in adding to inventories now, but the pace can be expected to step up over the next few months and carry well into 1962. Inventory accumulation will gain at all levels, manufacturing, wholesale and retail.

Construction adds to the strength of the recovery. Private housing outlays for 1961 are expected to be slightly below last year, but other construction offsets this. Total private construction will gain a modest 2% for the year, but this will put it at a new peak of over $40 billion. Public construction lends further growth with a gain of 10% expected over 1960.

Another stimulus was added when the nation's military spending program was boosted. Defense spending is now at $46.6 billion for the current fiscal year. The increases have come in a series of small steps but mean a quickening in the pace of business activity.

Consumer confidence has not yet returned, but continued gains in pro-



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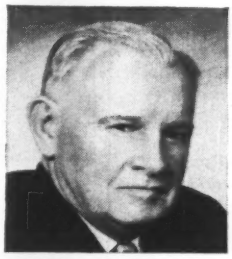

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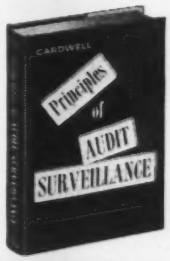

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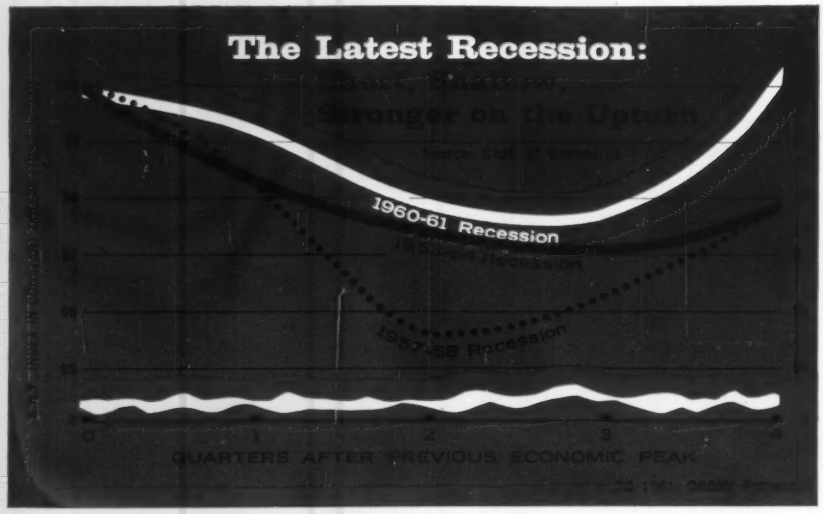


duction and a cut in unemployment is expected to help it.

Consumers are still balky, and the pickup in retail trade has not yet been as strong as expected for the rest of the year. Autos, furniture and hard goods have moved sluggishly in late summer. Retail appliance sales were down in the first half of the year and were not expected to improve much in the third quarter. In the spring retail trade in general had shown some improvement over last year. But in July retail trade was down from June and was just about equal to July 1960.

Fall and winter are expected to bring gradual improvement, however. Personal income has shown strong gains since the February trough, and this is expected to show up in consumer purchases during the rest of the year.

Unemployment remains at around 6.9%. This probably serves as a damper on consumer buying, but with the gains in business activity, stimulated by defense buildup, the employment situation may be expected to improve.

Profit levels have started to improve, and as this trend continues, additional capital outlays will develop and carry into 1962.

Corporate profits have taken on an improved tone which promises to continue the rest of the year. In the second quarter, profits were below the second quarter of 1960 but were above the first three months of this year. Third-quarter profits this year are expected to better the same period of last year.

Steel, metals and autos all showed strong second-quarter improvement in profits. Pulled down by the first quarter, however, the first half is still falling far short of the same period of 1960.

Profit margins are still a sore spot. While improving in the second quarter, the gains were not as strong as they were at the start of previous recoveries. This picture is expected to improve in the months ahead, however, and show substantial improvement in 1962.

Improved profit levels and absorption of excess capacity will bring new outlays for plant and equipment. This trend is expected to pick up gradually over the remainder of the year and carry strongly into 1962. Gains in this sphere over the rest of the year will not be strong enough to make up for the weak showing early in the year, and an over-all drop of around 3% is expected.

As yet there has been no strong upward pressure on prices. A slight rise in the Consumer Price Index might be in store in the latter months of this year, but no pronounced pressure is expected until 1962, if then. A reduction in the level of unemployment will probably precede any return to significant inflation. But some of the seeds are being sown. Improving business and rising defense activity create the forces that could start prices upward. The Federal Reserve Board can be counted on to keep close tabs on the situation, however, and restrictive monetary policies will probably herald any official concern over inflationary developments.

—JACKSON PHILLIPS

Little Change in Fourth Quarter

A CONTINUED high level of sales in the fourth quarter but not much change from the third quarter. That, as of midsummer, is the expectation of the typical businessman. Profits, while healthier than last year, will remain about at present levels, in his estimation.

Unlike most economists, who became more optimistic as the recovery progressed, businessmen as a whole showed little shift in their expectations. Asked to look six months ahead, they did not change their opinions between April and July. They still expect good business, but no boom. Two thirds of them expect fourth-quarter sales this year to be higher than in 1960, and slightly more than half expect higher profits. These are the identical percentages which showed up back in April, when businessmen were asked about the third-quarter outlook.

This latest survey, undertaken in July, again covered 1,500 businessmen in all types and sizes of companies in the country. DUN & BRADSTREET reporters asked these executives how they expected 1) sales, 2) profits, 3) inventories, 4) prices, and 5) employment for their own companies in the fourth quarter of 1961 would compare with the same period last year. Although the recovery has gained considerable momentum since spring, the pattern of responses to these questions showed little change in outlook between the two periods.

Only one seventh of the business executives surveyed, for example, expect to raise selling prices this year—slightly less, in fact, than anticipated price increases last year. Among manufacturers of durable goods, where competition for markets is pronounced, the percentage of those who expect to raise prices is four points below what it was three months earlier. Reflecting the feeling of this industry, the latest figures show a drop of 5% in those who expect to increase profits over last year.

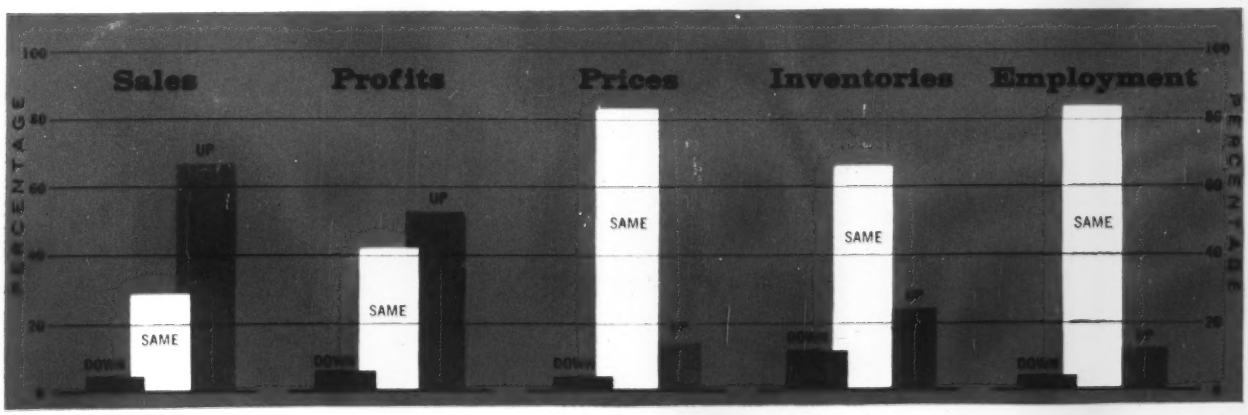
Although history shows that business inventories go up in boom times and down in recessions, there is no evidence as yet that businessmen expect to add to their present inventory levels. Across the board—manufacturers, wholesalers and retailers—better than three fourths of the firms surveyed expect to hold the line in this respect. Nor does the survey offer any encouraging signs of an early return to full employment; over four fifths of all businesses intend to operate without increasing 1961 payrolls.

At the time this survey was undertaken, it is worth noting, the recent boosts in Government appropriations had not yet been announced. It is questionable, however, how much effect this would have had on the responses. The typical businessman plans his near-term activities by present conditions—not according to Government appropriations. END

Fourth-Quarter Outlook

COMPARED WITH YEAR-EARLIER OPINIONS

Per Cent in 1960				Per Cent in 1961		
Up	Same	Down		Up	Same	Down
			ALL CONCERNS			
54	35	11	Sales	67	29	4
42	47	11	Profits	52	42	6
16	80	4	Prices	14	82	4
23	63	14	Inventories	23	65	12
10	84	6	Employment	13	83	4
			MANUFACTURERS			
57	33	10	Sales	70	26	4
47	43	10	Profits	55	39	6
16	80	4	Prices	13	83	4
25	61	14	Inventories	26	64	10
14	80	6	Employment	18	78	4
46	47	7	New Orders	56	40	4
			WHOLESALERS			
52	36	12	Sales	61	35	4
37	52	11	Profits	46	48	6
17	78	5	Prices	15	81	4
21	64	15	Inventories	18	70	12
6	88	6	Employment	6	91	3
			RETAILERS			
48	41	11	Sales	68	27	5
40	49	11	Profits	53	40	7
15	84	1	Prices	12	81	7
17	69	14	Inventories	24	61	15
9	85	6	Employment	12	81	7



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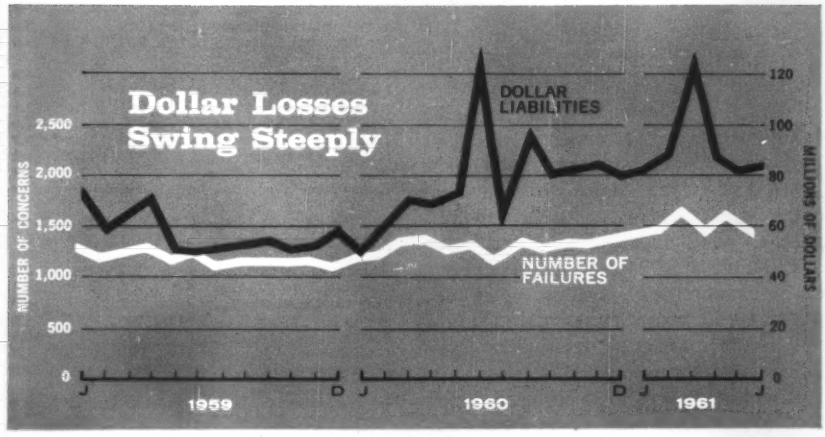
Business Failures

Failures at ten-month low
Dollar liabilities dip 18%



BUSINESS failures dropped to a ten-month low in July, but they still remained higher than during any other July in the postwar period. Declining at about the usual seasonal rate of 9% (from June), casualties were down to 1,275. Even at that figure, however, they stood 11% above their level in July a year ago. Dun's Failure Index, adjusted for seasonal variation, showed a failure rate of 60.7 per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*, up from 54.8 last year.

Dollar liabilities involved in the month's casualties fell 18% to $69.2 million, the smallest volume in a year. Although the number of businesses failing with losses in the $25,000 to $100,000 category inched up during July, the toll in all other size groups dipped to their 1961 lows.

Wholesaling failures fell off most sharply during the month, with the decline coming largely in the building materials and automotive trades. Construction casualties also hit a twelve-month low, while the retailing and service tolls slipped to six-month lows. Fewer concerns succumbed in most retail trades. The only exceptions were general-merchandise stores and restaurants where failures held steady, and apparel

WHY BUSINESSES FAIL: Year ended June 30, 1961

APPARENT CAUSES	MFG. %	WHOL. %	RET. %	CONST. %	COMM. SERV. %	TOTAL %
NEGLECT	2.1	3.3	2.7	3.1	2.8	2.7
FRAUD	1.4	3.0	1.3	1.0	1.4	1.4
INEXPERIENCE, INCOMPETENCE	93.9	91.8	91.1	90.4	90.1	91.5
Inadequate sales	53.7	49.0	51.9	34.3	52.0	48.9
Heavy operating expenses	8.1	4.2	3.3	11.5	6.0	5.8
Receivables difficulties	13.8	17.6	5.3	16.1	7.2	9.9
Inventory difficulties	5.5	10.2	10.5	2.0	1.6	7.4
Excessive fixed assets	10.0	3.5	5.5	4.8	13.3	6.6
Poor location	0.4	0.6	4.0	0.2	1.0	2.2
Competitive weakness	16.8	21.5	22.4	28.8	18.7	22.1
Other	4.1	3.6	3.2	5.1	3.4	3.7
DISASTER	0.9	0.8	1.0	0.4	0.6	0.8
REASON UNKNOWN	1.7	1.1	3.9	5.1	5.1	3.6
TOTAL NUMBER OF FAILURES	2,763	1,622	7,960	2,800	1,445	16,590

Compiled by DUN & BRADSTREET, INC. Classification based on opinion of creditors and information in credit reports. Since some failures are attributed to a combination of causes, percentages do not add up to 100 per cent.

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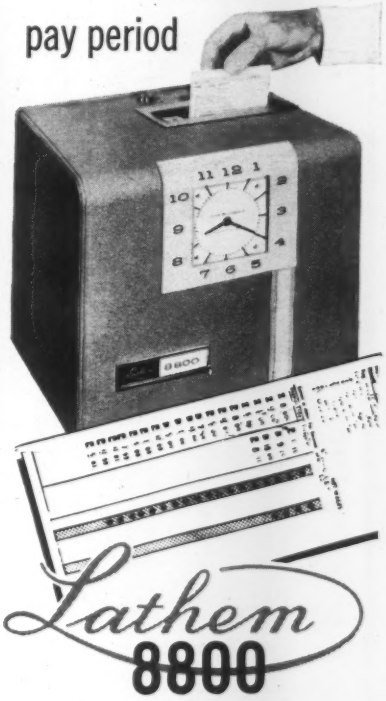

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stores where the toll turned upward.

In manufacturing, a contrasting month-to-month rise took place in July. Mild increases among manufacturers of metals, machinery and transportation equipment, a steep climb in the leather industry and a rebound in printing and publishing pushed the level here above that of the preceding month. Added to that, manufacturing's year-to-year rise was about three times as high as in any other function, going up by 29% as compared with 10% and 9% in retailing and service. Many retail trades, such as automotive, restaurant, drugs and building materials, hovered close to their 1960 levels. Total construction casualties were close to their level of the previous July, being only 2% higher, because sizable increases among general builders and heavy construction contractors were offset by declines among subcontractors.

Regional tolls dipped between June and July in all areas except the West Central, Mountain and Pacific states. Substantial contraseasonal upturns appeared in California, Colorado, Missouri and Texas. On the other hand, strong downsurges pushed Middle Atlantic, East North Central and South Atlantic casualties to the lowest in 22, twelve and nine months' time respectively. All but the Middle Atlantic, however, suffered higher mortality than in July 1960.

Some nine out of ten casualties may be traced to weakness in management in either experience or aptitude (*see table, page 15*), which summarizes the most recent DUN & BRADSTREET survey of failure causes. The importance of this business "know-how" factor has not varied much from year to year in the decade during which this survey has been running; it has remained roughly the same in both boom and recession periods. The ways in which it is manifested, however, shift with the economic climate. Currently, receivables difficulties have been posing a problem in a higher portion of failure cases than in the preceding survey. Significantly, this was an across-the-board rise—in manufacturing, wholesaling, retailing, construction and service. "Capital tied up in receivables," "overextension of credit" and "poor and slow collections" were again and again given as the major problems in failing businesses.

THE FAILURE RECORD

	July 1961	June 1961	July 1960	% Chg. †
DUN'S FAILURE INDEX*				
Unadjusted	58.1	61.3	51.0	+14
Adjusted, seasonally	62.5	60.7	54.8	+14
NUMBER OF FAILURES	1,275	1,403	1,146	+11
NUMBER BY SIZE OF DEBT				
Under $5,000	119	171	129	— 8
$5,000—$25,000	555	583	520	+ 7
$25,000—$100,000	459	452	359	+28
Over $100,000	142	197	138	+ 3
NUMBER BY INDUSTRY GROUPS				
Manufacturing	223	218	173	+29
Wholesale trade	112	144	106	+ 6
Retail trade	633	696	573	+10
Construction	196	222	192	+ 2
Commercial service	111	123	102	+ 9
LIABILITIES (*in thousands*)				
CURRENT	$69,168	$83,828	$61,732	+12
TOTAL	69,196	85,454	61,878	+12

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Percent change, July 1961 from July 1960.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total (Seven Months)		Liabilities in million $ (Seven Months)	
	1961	1960	1961	1960
MINING, MANUFACTURING	1676	1475	159.5	169.7
Mining—coal, oil, misc.	58	58	8.0	11.5
Food and kindred products	99	103	13.3	24.4
Textile products, apparel	295	249	27.9	19.6
Lumber, lumber products	300	296	20.8	21.8
Paper, printing, publishing	149	103	9.3	5.2
Chemicals, allied products	57	35	4.1	2.0
Leather, leather products	47	46	3.9	9.0
Stone, clay, glass products	33	29	2.1	3.2
Iron, steel, products	119	91	12.8	13.5
Machinery	157	151	15.5	25.0
Transportation equipment	71	64	17.0	8.6
Miscellaneous	291	250	24.9	25.9
WHOLESALE TRADE	998	843	77.9	64.4
Food and farm products	194	197	15.0	21.4
Apparel	36	28	2.4	2.1
Drygoods	19	22	1.6	1.0
Lumber, bldg.mats., hdwre	124	110	13.3	9.7
Chemicals and drugs	32	28	1.7	1.1
Motorvehicles, equipment	70	70	2.9	3.4
Miscellaneous	523	388	40.9	25.8
RETAIL TRADE	4928	4294	222.4	131.9
Food and liquor	663	619	50.4	16.1
General merchandise	183	163	11.3	10.2
Apparel and accessories	661	609	29.0	15.0
Furniture, furnishings	641	591	33.2	21.8
Lumber, bldg.mats., hdwre	318	277	12.2	10.9
Automotive group	913	705	33.7	25.5
Eating, drinking place	925	796	31.2	20.3
Drug stores	111	86	3.3	1.8
Miscellaneous	513	448	18.0	10.4
CONSTRUCTION	1665	1468	105.0	96.4
General bldg. contractors	644	559	52.1	47.6
Building subcontractors	919	815	46.1	41.1
Other contractors	102	94	6.9	7.7
COMMERCIAL SERVICE	860	773	51.0	53.2
TOTAL UNITED STATES	10127	8853	615.8	515.5

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.

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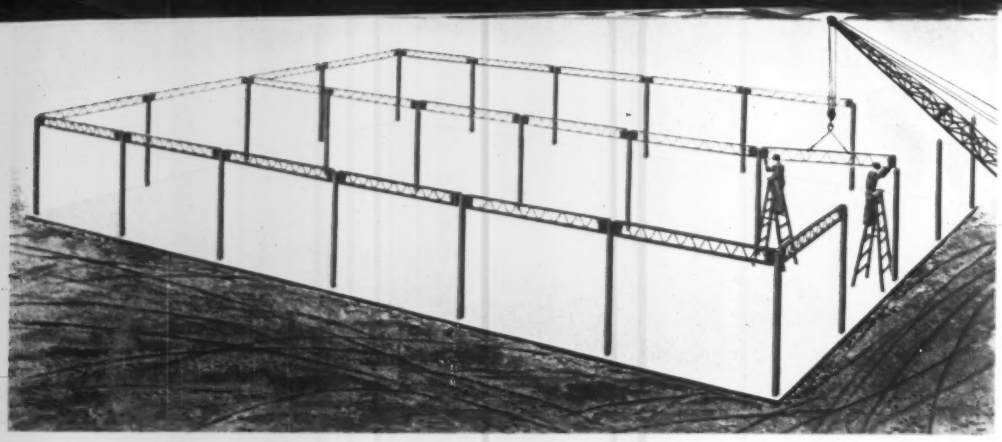

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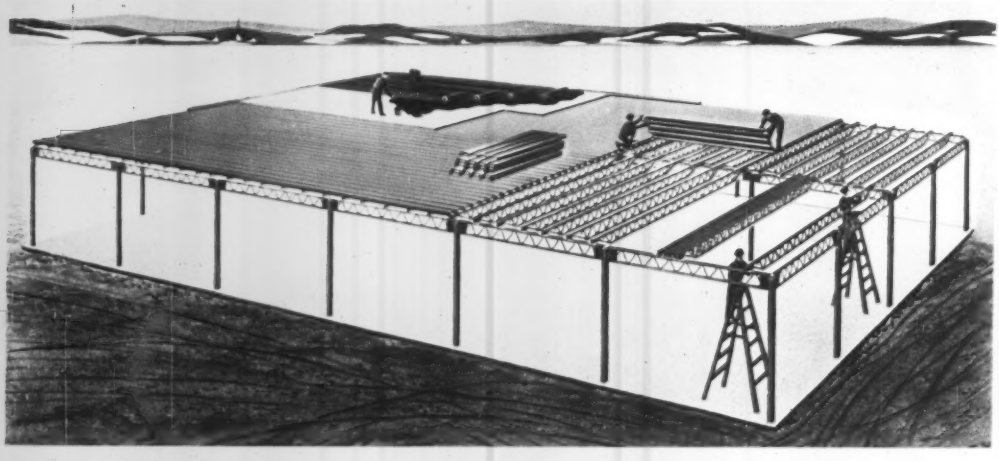

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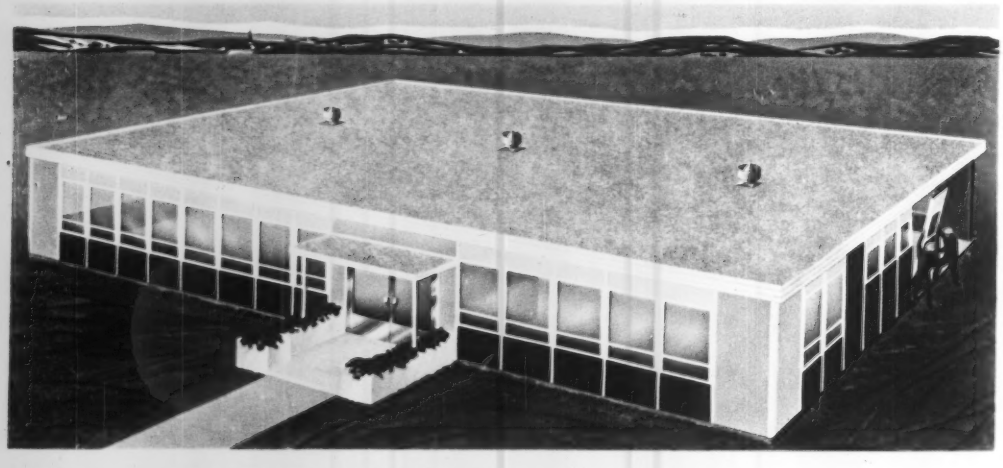

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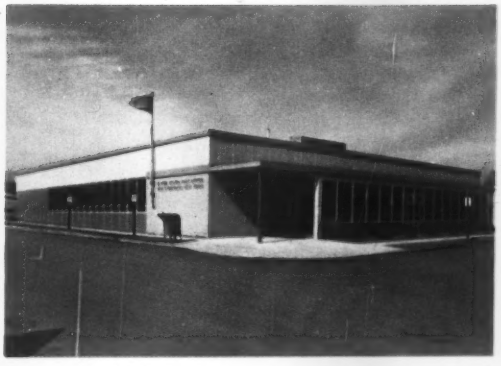

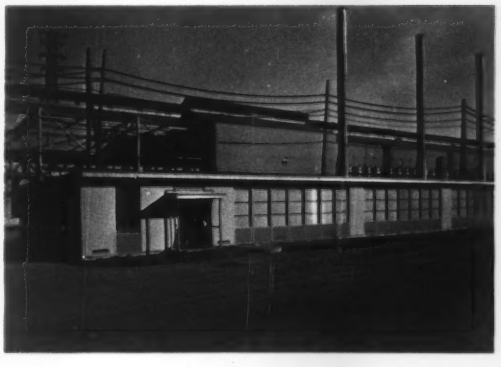

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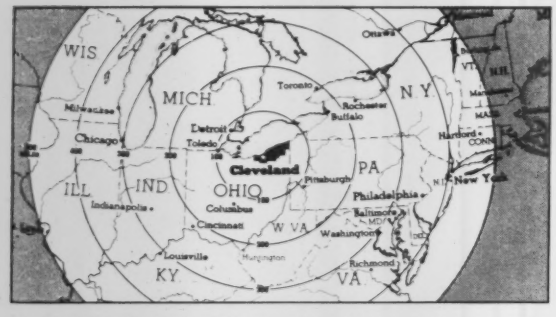

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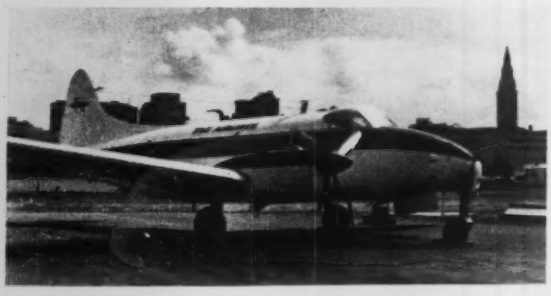

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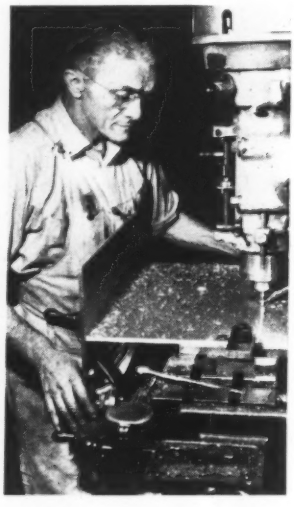

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DUN'S REVIEW
AND MODERN INDUSTRY
September 1961

EDITORIAL

Living in the Future

TO the typical consumer, payday is a point in time when he considers whether his dollar should be saved, spent or pledged. He hears the competing whispers of "Cash on the barrelhead" and "You can't take it with you." The old debate goes on—installment saving for a future benefit versus installment payments for a present benefit. Debt can be a prod, a stabilizer or a burden to an individual's progress, depending upon his attitude toward the future.

Actually, if the history of economic growth is used as evidence, the installment buyer has the edge on the argument. There is a middle course that balances saving and spending, a sensible range which is neither miserly in its thrift nor foolhardy in leaning on the edge of tomorrow. Consumer installment purchases are no different in risk principle from commercial, bank or government credit. All credit rests on a measure of confidence in the borrower's ability and willingness to fulfill a promise within a prescribed time limit.

Despite all the criticism we hear of consumer credit excesses, the over-all net loss to installment creditors, when measured over a generation of record, is only 1%. Delinquency rates in current bank installment loans hover between 1% and 2%, and there is considerable competition among the outstanding loans for autos, appliances, house modernization and other personal needs.

Excessive borrowing from tomorrow's income can, of course, be disastrous to both buyer and seller, especially when the repayments eat deeply into the family budget for food, clothing, shelter and other necessities. And this can happen. For instance, the loudest competitor for the male apparel dollar is the automobile loan.

The U.S. economy needs the stimulus of installment buying. It also needs the sober impulse that puts the thrift dollar aside. The dollar saved is the substance of our credit system. Here is an important source of funds for the man on the business frontier who creates both capital and consumer goods.

We cannot have a prosperous economy without the buoyancy that time payments give to the activity of the market place. It is only when the consumer puts his earnings in hock on too large a scale, over too long a period, that he becomes enslaved to the calendar and impoverished by the insistent bite out of the paycheck. Prosperity, which calls for confident spending, disappears when the lure is extended too far in the future and the time penalty represents too large a proportion of the sales price.

America has a credit-motivated economy in which, by the end of 1960, installment debits stood at $43.3 billion—proof indeed that there is no growth without risk. Even though current bad debt losses approach 2%, the shrinkage is small compared to the capital invested and profits accrued. However, the pledge for tomorrow is most secure when it is balanced by yesterday's thrift. A healthy share of disposable income is now going into personal savings, and installment buying is being held in reasonable check. The future is our most promising asset. Let's make the most of it!

PRESIDENTS' PANEL

A New Look at Labor

Corporate chiefs have tossed out the old ideas about labor-management strife. They've learned to live with labor—and some even laud its effect on the economy.

JUST what do the leaders of American business *really* think about labor unions? Look at the hackneyed articles in the business magazines, and management is struggling to keep from being run out of its own executive suite. Listen to the union leaders, and that same management is engaged in an invidious, undercover war to steal away the rights labor has won.

Is either picture accurate? Hardly. The latest findings of the President's Panel show that these traditional concepts of labor and management locked in interminable strife are not only outmoded but dangerously misleading. For management appears to have quietly gone through a change —perhaps a revolution—in its attitude toward labor.

This is, in fact, the inescapable conclusion to be drawn from the results of this month's DUN'S REVIEW survey. By and large, the top echelon of American management now shows a thoroughgoing acceptance of the existence of labor unions in our society and our economy. More, there is a broad-based feeling among business leaders that the bitter old days of seemingly endless strife are well behind us. And nearly half the panelists speak right out and say that management and labor have, at bottom, the same interests—the continued growth of the American economy.

This is the distillate of the opinions of the leaders of nearly 300 of the country's most influential companies, covering a cross-section of industry, from Eastern railroaders to Western cement makers, from Midwestern biscuit manufacturers to Southern contractors.

What lies behind this sweeping change in management's feelings? One cause is simply the passage of time: it is close to thirty years since the Wagner Act became law. In three decades labor and management have learned a lot of the art of living together.

The one man who best sums up the opinion of more than two thirds of the panelists is Alfred E. Perlman, president of the New York Central Railroad. Though he works in the industry that has been most affected by outdated labor practices, Perlman is willing to overlook the featherbedding and adamant resistance to change of the railroad labor unions.

He says bluntly: "The notion that labor-management strife is inevitable is an outmoded concept of nineteenth century economics."

But the mellowing produced by the passage of time is by no means the sole reason for the swing toward a new benevolence that shows up so strongly among the 300 panelists. Many of the presidents give strong hints that something much more immediate is on their minds. President Herbert P. Buetow of Minnesota Mining & Manufacturing Co. puts his finger on this. "The inevitable alternative to a good union," says 3M's boss, "would be more and more government regulation and control. There really could be no choice between the two in a free society."

Through most of the 300 presidents' responses runs the same theme —a sense of apprehension that if management and labor do not reach settlements without wracking the country with prolonged strikes, the Federal Government may take a bigger and heavier hand in the settlement of labor disputes. This is a fear that has been growing since 1959's

INEVITABLE industrial strife is outmoded idea, says Central's Perlman.

long-drawn-out steel strike. That produced plenty of talk in Washington and among pundits around the country of the need for a system of compulsory arbitration of labor disputes. True, a great many businessmen disliked this idea then—even tho many of them had been hurt, sometimes severely, by steel supply shortages. Today, they still seem to distrust the idea.

One after another, the presidents on the panel call for a halt to further government involvement in industrial disputes. "The Government," says Lone Star Steel Co.'s President E. B. Germany, "should keep its hands off labor disputes to a much greater degree." Western Electric Co.'s President H. I. Romnes adds: "Federal intervention in labor-management relations should be kept to a minimum; free collective bargaining should be encouraged."

What lends more force to their fear of further government intervention is the fact that after a fairly peaceful six months, the threat of major disputes is making the labor-management atmosphere cloudy again. In Detroit the United Auto Workers has been calling for weekly salaries and still more fringe benefits for its members. In Pittsburgh steelmakers are boning up on their bargaining positions a full eight months before they will begin to bargain. The threat of deeper government intervention at industrial bargaining tables is always greatest when big disputes blow up in major industries like these. And management knows well that government intervention in any field tends to grow once it gets a toehold.

A few of the chief executives on the panel take a determined stand on this. The president of a New England manufacturing company is decidedly blunt. Says he: "The Government should repeal all labor laws. It ought to terminate the National Labor Relations Board. Washington ought to get out of the picture entirely and for good."

Not many others go so far. Most panelists are willing to grant the Government a limited role in bringing management and labor together. The head of one of the nation's major chemical companies speaks for the majority on this. "Washington," he says, "must be an impartial administrator of the labor laws and must provide a competent, impartial mediation service. It must not force one of the parties to a dispute to accede to the demands of the other."

For all their fear of government intervention, though, there is a certain cautious hopefulness among many of the chief executives over the latest piece of machinery set up in Washington to bring labor and management together under the Government's auspices. This, of course, is the top-level labor-management committee that President Kennedy set up to advise him. The panelists line up almost two-to-one in the belief that this committee of White House advisors—formed from the ranks of business and labor and filled out with several representatives of the public —may serve some useful function. "The idea is experimental, to say the least, but it merits a fair trial," says the chief executive officer of a life insurance company. Inland Steel Co.'s President John F. Smith Jr. believes it is a good idea. Argues he: "It can keep the President informed of varying viewpoints on matters that can have serious effects on the economy,

NEW Capitol committee may change labor policies, Inland's Smith hopes.

and it may lead to new national policies."

A sense of disappointment, though, does show up among some of the 300 company presidents over the choice of members for many of the slots on the committee. Says one of the panelists frankly: "I don't think a good choice was made of people to represent the business side. They're all 'big business.' "

Some panelists are frankly suspicious of the whole thing. Joseph S. Young, president of Lehigh Portland Cement Co. comes out against the committee, because, he says, "as soon as the Government begins to play Solomon in labor disputes, business will be the loser."

Yet there is one great unresolved issue in labor-management relations for which the corporate presidents look to Washington—if not to the Administration, then certainly to the Congress—for help in producing a solution. This issue, say many of the 300 panelists, is probably today's largest obstacle to labor-management cooperation, and from the vehemence and frequency with which they cite

it, it seems to be one of the most pressing problems, too.

It is the control of the enormous size and power of the nation's biggest unions.

Fear of size and power

Nothing seems to upset the presidents more than the rise of James Hoffa and the sweeping growth of his International Brotherhood of Teamsters. But Hoffa and the IBT form only the immediate, topical focus for the businessmen's feelings and are only partly responsible for their calls for cutting down the size and power of the big national unions.

"Industry-wide bargaining," says one president, expressing a widespread feeling, "is the great barrier to real cooperation between management and labor today. This kind of bargaining simply isn't suitable to so many local situations." Minneapolis-Honeywell's Paul B. Wishart believes too, that some change is needed. "Bargaining units," he says, "are way too large. They should be limited to locals dealing with a single employer or at most an industry in a single location."

The presidents recognize that industry-wide bargaining can be overcome only by action in Washington, by the drafting of legislation that would probably need Administration backing to get it through Congress. This would, of course, be tantamount to more government interference in labor-management relations. But the nagging thought has occurred to many businessmen that the continuing spread of industry-wide bargaining might itself attract even more interference from Washington. The issues in labor contract talks would become steadily greater; a concession in one industry, or a stern stand in another, would have a more and more powerful effect on the whole economy. Washington, in that case, could hardly fail to seek more authority, would almost certainly move steadily closer toward occupying a seat at the big industry bargaining tables.

For these same reasons most of the 300 panelists want to see Congress amend the antitrust laws to cover labor unions. Such a move, indicates a representative panel opinion, would put an effective restraint on what are probably the country's last great unregulated aggregations of wealth and power. Claude Lawson, board chairman of U.S. Pipe & Foundry Co., puts it in more down-to-earth fashion: "It would even up the game, make sure that industry and labor played by the same rules."

Even when it comes to this major issue in labor-management relations, it seems that businessmen today seek only to "even up the game." The 300 panelists neither call for the destruction of labor unions nor foresee eternal strife in industry. Their tone is one of pragmatism and often a sympathetic understanding—not just a mere acceptance—of the role that unions play in U.S. society. "Without unions," says W.P. Fuller Brawner of San Francisco's W. P. Fuller & Co., "I'm afraid that labor would probably be treated unfairly." He is echoed by most of the panel.

And Sinclair Oil Co.'s President Edward L. Steiniger goes a step further. "Unions," he observes, "perform a useful function in economic and humanitarian terms. Putting it pragmatically, union pressure and gains have helped to develop management prowess—for example, forcing more attention to cost-cutting."

Specific issues to be thrashed out over the table at contract time may produce plenty of acrimony, but the idea is spreading widely among businessmen that labor and management have a basic identity of interest.

A new approach

There is no doubt that these views stem, in part, from a new approach to labor on the part of management. But there is also little doubt that the fear of greater government intervention prompts to a substantial degree their belief that the two sides can best work out their problems without interference.

In the panel's view, then, labor and management are closer together now than they have ever been—and they get closer with every passing month. How will it be in that golden age when they have a whole gamut of identical interests? "Then," says one president, "we will have to watch out that they don't gang up against everybody else." END

Can Labor and Management Coexist?

To the members of the Presidents' Panel, the long-range outlook for industrial peace is bright. They see:

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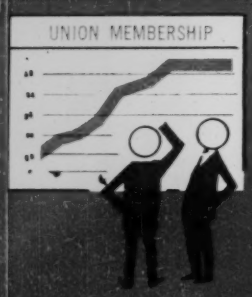

. . . a "pressing out" in growth of union membership

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. . . no irreconcilable labor-management conflicts

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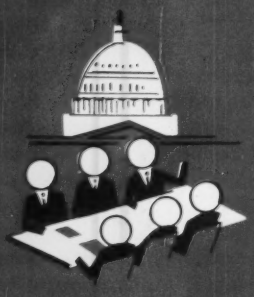


. . . little value in industry-labor "summit meetings"

2 to 1, . . .

. . . possible good from Kennedy's new advisory group

The Great SOUP War

Two giants square off in a battle for shares of the dehydrated soup-mix business. They are brewing one of the decade's big sales wars.

OUT on the shelves of the nation's supermarkets a battle is brewing for shares in the soup business. Soup, seemingly prosaic and staid, now has become a bubbling $500-million-a-year industry. The contestants in the soup war, rich and powerful, are among the nation's largest corporations, and the stakes they are preparing to battle for are huge. The gain or loss of even just a 1% share of the market means to them a fat $5 million in revenues.

Already the major competitors are warming up a whole raft of new merchandising techniques, maneuvers ranging from the mix of the soup to its place on the grocer's shelf. Out of all this is coming one of the hottest marketing battles yet to sweep through the already fiercely competitive food industry.

Two giants in the industry will be making most of the noise.

The first is Campbell Soup Co., the biggest soupmaker of them all (1960 sales: $516 million). With its liquid soups it now holds between 80% and 85% of the U.S. soup market. After almost a century of brewing liquid soups and making only a couple of tentative, almost half-hearted shots at the dehydrated soup market, Campbell is putting millions of dollars into a new line, called "Campbell's Red Kettle," of canned dehydrated soups.

One of the best-kept secrets in U.S. business, Campbell all this year has been quietly converting a large part of one of its main plants in its headquarters city of Camden, N.J. to dehydrated soup production. At a nearby research center, Campbell

TASTE-TESTING each day's run is morning routine for the giant soupmakers. Here Campbell's testers sample a daily batch of mixes for taste and color.

technicians have been working over not only the recipes for seven types of dehydrated soups (no mean task, for each uses dozens of ingredients), but have also been making and testing a new type of can to hold the dehydrated soup mixes. There is no evidence to show that even a month ago Campbell's competitors knew what was going on, though they were making guesses.

The second of the giants is Corn Products Co. (1960 sales: $691 million). Until midsummer this year it had not boiled up any soup in the U.S. for the domestic market. But four-and-a-half years ago it did buy control of the 120-year-old C.H. Knorr Co., a Swiss and German soupmaker that has long dominated the European soup business. Knorr's name and know-how and Corn Products' money and knowledge of U.S. eating habits have been put together, and the result is a multimillion-dollar soup factory at Argo, Ill. that was opened in July and is now turning out dehydrated soups for the U.S. market.

What's the target?

These two—the first with a massive chunk of the entire soup market under its belt, the second with a gleam in its eye and high-pressure marketing techniques at its command—are set to do battle for only a relatively small part of the whole U.S. soup market. The dehydrated soup business now accounts for only about 10% of soup sales, but even that seemingly small segment is worth $50 million a year in revenues. The marketing razzle-dazzle of the two giants is bound to boost the size of the dehydrated soup market. But meantime, wherever they move on the supermarket shelves they will run into:

- Thomas J. Lipton, Inc., presently the country's biggest maker of dehydrated soups, with close to three quarters of the market. About a quarter of Lipton's sales (1960 total: $120 million) comes from dehydrated soups, and from this Lipton claims second place in the U.S. soup business.
- H.J. Heinz also claims second place, and since neither Heinz nor Lipton will separate precisely its soup sales dollars from its total sales, nobody can tell for sure which claim is justified. Heinz, though, sticks to canned liquid soup, and in this it is certainly the second-ranking company in the industry, behind Campbell.

CHALLENGER in sales war is Corn Products' Brady with new soup line.

A couple of dozen smaller soupmakers push for a share of what is left. Some are U.S. companies with limited, regional outlets. A few are foreign firms that ship their products to high-priced specialty stores. These smaller companies make a living, but as the figures show, they have made little headway in a market that has been so wrapped up among a Big Three. Now that Corn Products has entered the business and Campbell has staked several million dollars on a whole new line, it is the Big Four that will be making all the news in the industry.

Campbell came hesitantly to its decision to go after the dehydrated—as well as the liquid—soup market. During World War II it made some for the military, but by the end of the war it had quit.

Last year Campbell tried a second time. It brewed some test batches of dehydrated soup, packaged them in plastic-and-foil containers and gave them a test shipping run back and forth across Canada between Vancouver and Montreal. It also produced some in Europe, marketed them briefly in Belgium and then withdrew them.

Says Campbell's President William B. ("Bev") Murphy: "We were disappointed. We just weren't satisfied with the integrity of the packaging. Vibration during the Canadian test caused the sharp edges of some of the dried ingredients in the soup mixes to work their way through the plastic lining. When that happens and the air gets in there's a bad risk that in hot weather the whole package will turn rancid."

This is why Campbell then set its research people to devising a new type of aluminum can container for the dehydrated mixes. They have come up with a can that opens without resort to can opener—tear off a small metal tab on the top and the lid comes right off.

More Campbell research men have been devising ways of freeze-drying the ingredients of dehydrated soup mixes. The plants in which the soup is made have to be atmospherically controlled; moisture in the air must be cut to about 15%. It all adds up to an expensive business. Says Murphy: "It costs this industry an average of about 4 cents a pound to freeze-dry the water out of vegetables, and when you realize that a tomato is 96% water, you begin to see how the costs mount up." But this does not keep Murphy from making a solid bid for this part of the market.

One of the biggest problems a soupmaker has, Murphy believes, is to assure the quality of its product—of every can it turns out. "You can't," he insists, "tell the woman who buys a defective can of soup that your average product quality is high. She's interested only in the cans she buys—not in the mathematical average." Putting the new dehydrated soup mix in a can is Murphy's way of defending his company against the chance that a dehydrated soup mix might turn sour.

Picking a theme

This quality theme has long been the strong point of all Campbell's marketing tactics. John Volkhardt, marketing vice president of Corn Products' Best Foods division, says in envious admiration: "Campbell is a big spender on advertising and a mighty effective one. It had the good fortune to find a solid advertising theme—and the good sense to stick with it."

Despite the imminent war in the supermarkets, the major soupmakers are all—like Volkhardt—still being publicly polite to each other. Some of Corn Products' men, indeed, seek to soft-pedal any suggestions that a soup war is brewing. But one small soupmaker, not big enough to do anything but watch from the sidelines, says: "It seemed to me in midsummer that Corn Products was saying, 'Look out Campbell, here we

come!' And now Campbell has made its reply. It certainly looks like we're in for a hot time."

Corn Products' Chairman William T. Brady recognizes that for all his company's money and power, the competition is going to be rough. But he says: "We're confident we will win a sizable share of this half-billion-dollar market—and help to build a still larger market."

To ladle up its share of the market, Corn Products pins most of its hopes to a complex mixture of marketing tactics, eating habits and big money. It started off with a whole line of soups from the recipe book of Walter Obrist, the Swiss head chef of Knorr. But Corn Products' soup specialists decided that some of the soups had to be Americanized. Says Vice President Volkhardt: "We couldn't expect to sell here in the U.S. exactly the same kind of soups that Knorr sells in Europe. The Europeans like their soup heavy and fatty. We couldn't offer that to Americans. So we changed the recipes here and there, cut down the fat content, reduced the amount of spices, but increased the number of other ingredients. Now, for just seven soup flavors we use close to 100 ingredients."

Europe in the dish

But these changes from the original do not force any other changes in Corn Products' second set of marketing devices. These put the emphasis on the exotic foreign flavors of the soups being turned out in the Illinois factory. "Take a kettle cruise of Europe," says the promotional text on the new Knorr soup packages, offering a quick, cheap, vicarious jaunt to Europe through the medium of the soup dish, and simultaneously hinting that only the less venturesome will stick with the brands they have known for years.

Corn Products also has come up with another marketing technique to heat up its sales. Volkhardt, who as Corn Products' soup expert has spent the last two-and-one-half years watching over the formulating, testing and introduction of his company's new product, explains: "A dehydrated soup can look pretty thin when it's made up unless there's a careful balancing of ingredients. Large lumpy ingredients, like big chunks of mushrooms, can't go in because they are very difficult to reconstitute; it takes too much time in cooking to get the water back into them. So we add leafy vegetables to the mixture. These, floating in the soup, give it more bulk." Adds another Corn Products executive: "It gives the customer something to *chew*."

To back up such tactics as these, Corn Products is spending what even Chairman Brady (who this year has approved a world-wide advertising budget for the whole company of between $40 million and $50 million) calls a "massive promotion program" for the new soups.

Just how much Corn Products spent on its new plant in Illinois is not publicly known; it keeps the price, and the plant's capacity, secret for fear of revealing too much to the competition. But the plant is so crammed with automated machinery that, says Volkhardt, "we can turn out as much soup there with about 125 people in the plant as we can in a Knorr European plant with 600 people."

Lipton, quietly enjoying the proceeds of its large slice of the U.S. market for dehydrated soups for the last decade, now faces the competition of companies that are five and six times as large. So far, though, Lipton admits to no plans for heavier advertising or new products, or to apprehension about the competition. Indeed, a Lipton executive says: "It's good to see all these people getting into the dehydrated soup business. It reassures us that we've been doing the right thing all this time."

But competitors note that Lipton may well be worried as the giants prepare to do battle around it. Just a few months ago it acquired for an unannounced sum the famed Good Humor Corp., vendor of frozen ice cream sticks. The move put Lipton into a totally new field (for it), and other soupmakers feel it was a sign that Lipton thought it had better start diversifying into less-contested food markets.

CAMPBELL'S Murphy puts giant soupmaker into soup-mix battlefield.

Like Lipton, Heinz also takes a closemouthed attitude to the sudden upheaval in the soup business. One Heinz man puts it this way: "Soup is a big business, and there is plenty of room in it for lots of companies."

More millions ahead

The market they are all shooting for is by no means restricted to its present $500-million-a-year size. In an era when dieting and calorie-counting are among the greatest national pastimes, soup sales have almost doubled in the last decade. The soupmakers see no reason why the rapid growth should not continue.

The reasons, say the soupmakers:

- The great baby boom, perhaps not as pronounced now as it was in the immediate postwar years, but potentially just as great in the years ahead as all those wartime and postwar children reach maturity. Children, the soupmakers find, are among the biggest sippers—or slurpers—of soup.
- Increasingly, soup is substituted for other foods, is not eaten in addition to them. As Campbell's Murphy likes to point out: "A dish of beef soup and a glass of milk have all the nutritive value of a much heavier meal—and far fewer calories, to boot."
- The U.S. housewife is getting more adventurous in her cooking all the time, particularly when it comes to brewing sauces. This, too, puts verve into soup sales, because soup is being used more and more as a basis for those sauces. Campbell's, for instance, has found that at least one out of every two cans of mushroom soup it produces goes into stews and casseroles.

The razzle-dazzle of the big Campbell *vs.* Corn Products competition, and the campaigns of the other soupmakers that may well begin as the battle for the market gets sharper, should add their part to the growth of the whole soup business—and possibly result in a raft of new marketing techniques as well.

—JOHN MAUGHAN

"Businessmen

Why are businessmen generally so ineffective in politics? Because they refuse to follow even its most elementary rules, says a master politician and top-ranking executive.

ALL LAST year American business flooded employees with shiny, expensive brochures on citizenship and voting. At least 100,000 business people participated in the political action course of the U.S. Chamber of Commerce. The National Association of Manufacturers estimates another 25,000 persons took its political course. And such industrial giants as General Electric ran political programs which covered more than 5,000 employees.

What kind of return did business get from this investment in good citizenship? A very poor one, believes James A. Farley, chairman of The Coca-Cola Export Corp. "Businessmen," says he bluntly, "botched the job."

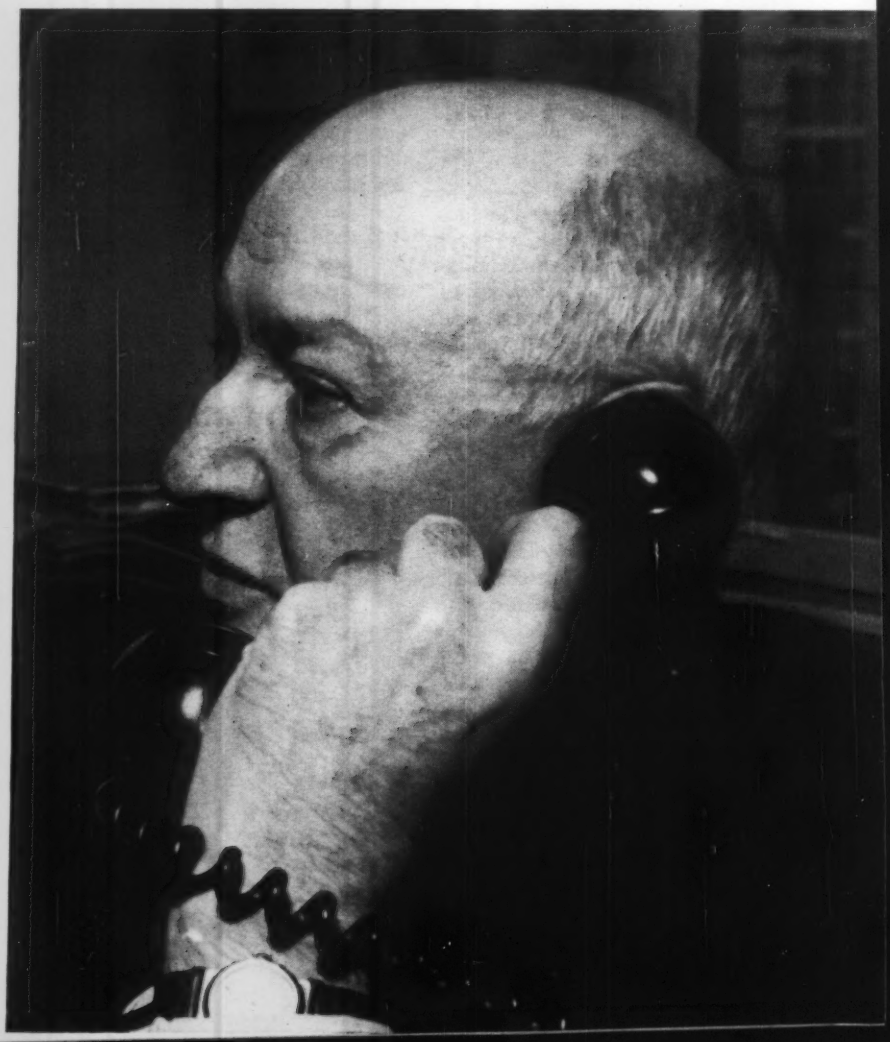
If any man is qualified to make that harsh judgment, it is Jim Farley. Now a top official of an organization with 1,750 bottlers and distributors in 110 countries, Farley made his name as the political wizard who managed two presidential campaigns for Franklin D. Roosevelt and in 1936 made the brilliant prediction that FDR would carry every state "except Maine and Vermont."

From the vantage point of his two highly successful careers, Farley easily sees why businessmen trip in the political arena. "By and large," the former Postmaster General contends, "they just don't understand the rules of the art of politics. And most of those few who do have an inkling of the rules don't play by them. That is why businessmen in politics have failed to become an effective influence."

Ironically, businessmen have never tried harder than today to become an effective influence in politics. Many executives feel uneasy about the growing political power of massive unions. Others fear the gradual erosion of the present capitalist system.

For all their fears, Farley contends that businessmen have been able to do very little about them. The minute the executive enters politics, notes the former Democratic chieftain, he breaks its most basic rule. Surprisingly, it is one that also applies to business: that you can best learn your trade by starting at the bottom. "A businessman," says Farley, "must realize that to get active in politics he cannot start at the top. You get into politics by affiliating with an organization and working with it. The businessman might not have to ring doorbells and distribute flyers—but why not? It would do him good, and he would have a real chance to get out and sound out public opinion."

The reason why he does not, of course, is obvious. High-salaried and respected in his community, the executive usually feels that his status in business enables him to enter politics on its very highest levels. "Even worse," adds Farley, "many businessmen won't participate in politics on



Don't Know Politics"

any level. They start by trying to get out of jury duty, then complain about 'justice' if their companies are defendants in court."

Not only that, Farley goes on, the businessman compounds his error by trying to make the new field conform to the rules of business. Tried in industry or not, those rules simply do not apply to politics. "In business," Farley points out, "a decision can be made, and you have the satisfaction of seeing it implemented. In politics, all is compromise. The doctrine that 'half a loaf is better than none' is fundamental."

Political suicide

Worse, Farley has observed that the businessman often goes on to advocate political measures which, however sincerely inspired, can only lead to political suicide. True, most of the business community would like to see taxes lowered. But many businessmen-politicians also call for the repeal of, say, Social Security, a move which Farley believes immediately makes the businessman and his entire program unpopular with the broad mass of voters.

"It may seem courageous," notes Farley, "but to call for a step like this is to ignore the realities of national sentiment and political possibilities. The politician must know what is possible and what isn't."

Yet to reach high rank in the corporation of today is no easy task. It requires drive, astuteness and more than ordinary intelligence. Why, then, does this sophisticated, intelligent businessman usually dig his own political grave?

Farley's answer: because he has spent a lifetime talking to himself. His political thinking has been conditioned at his job, the country club, conventions and business functions. Here, though, he talks only to other executives. They all agree with his political thinking. Seemingly, there is no opposition to the programs he advocates.

Yet he and his fellow executives have not talked to the truck driver who believes that Jimmy Hoffa can do no wrong, the widow living on Social Security or the unemployed coal miner who distrusts all big business. "Businessmen shouldn't kid themselves," says Farley, "that they have plumbed public opinion because the consensus among businessmen is this or that. You learn a lot more about grass roots opinion in a barber shop than you do in a businessmen's club."

Can the businessman hope at all to succeed in politics? Yes, says Farley —provided he follows its rules.

Take, for example, that rule about working up the political ladder. "Starting at the bottom," says Farley, "might involve running for a local office, learning new relationships with people, as opposed to the hierarchal relationships of business, and a willingness to suffer criticism. Criticism, even insults, are part of politics—one should never be bitter about them."

Once the businessman has that firmly in mind, he then can seek out such groups as labor unions and civic and fraternal organizations. Always anxious for speakers, groups of this type are only too willing to give a hearing even to the neophyte political campaigner. Moreover, the businessman himself benefits. He receives his chance to proselytize, and he becomes exposed to opposition views, thus getting a chance to learn that all-important element of politics—the art of compromise.

Lobbies for business

Not to be overlooked, of course, are other forms of participation in government. Working to influence legislation in Washington, for example. If a company is going to be affected by a forthcoming piece of legislation, Farley urges that it testify either for or against the bill. As he points out, Congressmen will welcome the opportunity to hear its views. After all, the businessman votes just like everyone else, and every politician well knows that he can be a prime source of campaign funds as well.

Farley points out another way of influencing legislation, one comparatively unknown to the average businessman. That is, presenting briefs on pending legislation. Bulky documents composed of an opinion backed up by facts and figures, these briefs are read and studied by the staffs of the various Congressional committees. Usually, these staffs are made up of experts on a given subject, who present the salient points to the committee.

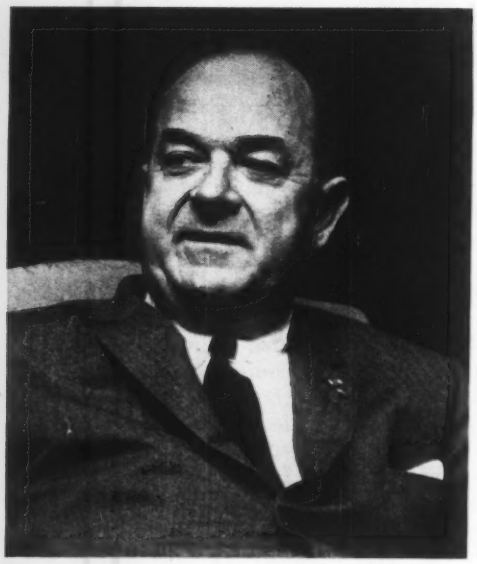
Trade groups also can be used to influence legislation. In fact, Farley believes that these groups often are better able to accomplish specific political objectives than are corporations and individual businessmen. They can, for example, present a more smoothly structured case. But the businessman can influence and guide these groups simply by playing an active role in them.

The specter of retaliation

As a businessman, though, Farley argues that one other weakness of business-in-politics is very much its own fault. "Too often," he notes, "businessmen are afraid to get involved in politics because of the specter of retaliation within the company. They fear that if they participate in Democratic politics, and their boss is a Republican, their careers in business may be jeopardized. Where this is true, business should take steps to clean house."

That, in turn, brings up another Farley criticism. Though the business ranks include such prominent Democrats as Richard Reynolds and Frank Pace, the overwhelming mass of businessmen feel comfortable only in the Republican Party. Needless to say, the former national chairman of the Democratic party resents this attitude. "The Democrats aren't bad for business," he snorts, "and anyone who thinks they are is simply myopic. The nation's economy was saved by the Democrats in 1933, when the banks were insolvent and the insurance companies virtually bankrupt. Strong programs by FDR, Truman and now Kennedy all helped business."

But whether they function as Democrats or Republicans, Farley believes businessmen should keep in mind an important fact about politics. That is, that they must keep working away at it. "Politics," says Farley, savoring the word, "is a year-round affair. Its art, like any other, can be learned only through practice." —J.J.F.



Even some businessmen, argues a prominent oilman, do not know the full answer to the question that has divided two worlds.

What's Wrong—and Right—with Profits?

AUGUSTUS C. LONG

IT IS frequently said that the conflict between Communism and capitalism is not so much physical or military as it is a struggle for men's minds. It is further argued that if the people of a free nation clearly understand the principles of capitalism and the opportunities it affords, they will not readily forfeit the freedom which allows capitalism to survive. For freedom is the only climate in which capitalism can flourish.

If this argument is valid—as I wholeheartedly believe it to be—then all of us who recognize our stake in the free-enterprise system have before us a major and pressing task. That task is to provide the public—and in some cases their representatives in government—with a fuller comprehension of the workings of capitalism. For if they do not understand its basic principles, they cannot be expected to appreciate why it is superior to a state-dominated Communistic economy.

The very words "free enterprise" in themselves sum up the essential difference between the Soviet and U.S. economies. In the Soviet Union a bureaucracy determines how many shoes and spoons and automobiles are to be made, in what color and size, and at what price. The consumer is not consulted.

Under free enterprise, on the other hand, the consumer can spend his income in any way that will give him the most satisfaction. And there is only one way that the motivating force of capitalism—the prospect of profit—can be realized. That is to manufacture a product or render a service which is attractive to consumers both in its quality and its price.

It is apparent that without the incentive of profit our free-enterprise economy could not operate successfully. Yet profits have come to be associated in many people's minds as something undesirable and improper. A generation of sniping by "reformers" in and out of government has erased, for untold numbers of Americans, the distinction between "profits" and the old cliche of "ill-gotten gains."

These people do not understand—perhaps because they have not been told—what happens to what is left of a company's income after it pays its taxes and other costs of doing business. This lack of understanding can easily lead to the belief that these profits are, in fact, a kind of special fund, privately administered, which is

siphoned off into the pockets of a select few persons "at the top." And, obviously, no one laboring under this sort of misconception can be expected to have faith in a system that would allow such a situation to exist.

The business community has the responsibility to explain to the public, by every means at its command, what profits really are and what they represent. Profits are the rewards for taking risks, for making innovations, for meeting consumer requirements and desires. Profits are the source of increased employment and of rising wages. And profits are an essential factor in making possible the investment capital required for economic progress. There has never been a period in our history when a high level of investment has not been associated with a high level of employment and general prosperity.

The public should be told that profits provide the return which a company makes to its stockholders, in the form of dividends, for the use of the tools which their investments have supplied. And because there was no assurance at the time the investments were made that the venture would succeed, whatever profits are realized represent not only a payment to the stockholders for the cost of using the tools, but a reward for taking the risk in the first place.

Further, it should be pointed out that if a reasonable return is *not* made to stockholders, a company will find that in today's highly competitive market it cannot attract sufficient investment capital to carry on effectively and expand its operations. In a dynamic, growing society, business cannot afford to remain static.

Nor has it. The record shows that, in the postwar period alone, the average investment for each production worker in the manufacturing industries rose from about $7,000 in 1946 to approximately $18,000 in 1959. The effect of this has been to increase both the quantity and quality of tools provided by industry to supplement the efforts of labor. As a result, the output of the entire economy per hour of labor has risen at an average rate of 2.4% annually since 1900. This means that the amount produced with an hour's labor has been doubling every thirty years.

Profits and prosperity

These are some of the facts about profits that must be explained to the public. They need to know that from the beginning of this nation's history, the prospect of profits has been responsible for generating our unparalleled output of goods and services, that it has made possible our high national level of income and standard of living, and that it holds forth the promise of even greater achievements in the future.

All these things are what is "right" with profits. But just as this story must be told if business is to win the confidence and loyalty of the public, there is another story that also needs to be told. This is the story of what is "wrong" with profits, and I suspect that even some businessmen do not fully appreciate its significance.

What is wrong with profits is that there are not enough of them. No matter how they are viewed, it is impossible to escape the conclusion that in recent years this motive force for enterprise and risk-taking has been inadequate to do the job which our expanding economy requires.

In 1950 all corporate profits before taxes amounted to 16.8% of the national income; in 1960 they had fallen to 10.6%. In 1960 corporate profits after taxes were about the same as the amount earned ten years earlier—$22.8 billion—but this was actually a decline of more than 20% when inflation is considered.

Over this same period the after-tax profits of leading manufacturing corporations fell from 17.1% to 10.5%, measured as a return on net assets. And whereas these profits came to 7 cents per dollar of sales in 1950, by 1960 they had fallen to 4.4 cents.

However, the profits situation is even more serious than these data reveal. As a result of inflation in the postwar years, the costs of replacing worn-out plant and equipment have risen well above the depreciation permitted for tax purposes. So, industry has been forced to use part of its profits to make up this deficiency.

"Gus" Long and the Texaco Gusher

Few men are as qualified to write on profits as Augustus C. ("Gus") Long, who is the chairman of Texaco, Inc. When Long became the chief executive officer of the company in 1956, Texaco already was one of the giants of world oil. In assets, it ranked fourth among all American oil companies; in profits, second—and its wells, refineries and service stations stretched around the globe.

Nevertheless, Gus Long set out to make Texaco bigger and more profitable. Since 1956, one of the leanest times in recent oil history, he has raised Texaco's revenues by 46%, to $3 billion, its profits by 30%, to $391.8 million. Along the way, the company became the nation's biggest producer of crude oil, snatching a crown long held by the Standard Oil Co. (New Jersey).

Long overlooked no bets in compiling that record. To build up Texaco's production, traditionally the fat profit end of the oil business, he bought out such producing companies as Seaboard Oil. To broaden markets, he then bought Paragon Oil, a 1959 acquisition which put Texaco into the big East Coast fuel oil market for the first time.

To many observers, though, Long's most astute move came earlier, in 1956. To cut down their dependence on the politically risky sands of the Middle East, most oilmen were spending millions for concessions in Venezuela's oil-rich Lake Maracaibo. So did Long, but in a surprise move he also laid out $180 million for Great Britain's Trinidad Oil Co.

The acquisition gave Texaco precious marketing outlets in the United Kingdom and the Caribbean area, as well as oil fields and a refinery in Trinidad, which is not only stable but a part of the sterling bloc as well. And last year, while other oilmen were groaning over higher petroleum taxes in Venezuela, Long was expanding his booming operations in Trinidad.

Born in Florida, and up-the-ranks at Texaco after graduating from Annapolis (class of '26), Gus Long is an indefatigable worker who thinks nothing of putting in a 60-hour week. Often, he comes into his New York office on Saturdays. On the weekends he does not, he and Mrs. Long journey to their farm outside Richmond, Virginia. But even then, Long cannot stay away from business. Along the way, he tries to stop at as many Texaco service stations as possible—just to keep up with business conditions along the "firing line."

It is apparent from these facts and figures that profits are in grave danger of dwindling to the point of all too little return. Yet it is not necessary to refer to statistical tables and abstract theories to appreciate the very real threat this poses to the economic progress of the American public.

Key to employment

Whereas expanding profits contribute to the creation of jobs and to job security, the depressed earnings of recent years have forced many companies to retrench all along the line. This, in turn, has led to a very high level of unemployment throughout the country, in some areas to critical conditions. Certainly this is not a climate favorable to restoring and maintaining a high level of employment. Even Samuel Gompers, while president of the American Federation of Labor, recognized the importance of profits when he stated: "The worst crime against the working people is a company which fails to operate at a profit."

The profits squeeze also has created a deficiency in the level of investment in new plant and equipment. Granted that consideration must be given to the ups and downs of such expenditures as a result of cyclical movements, the fact remains that the all-time high point in the history of this country's investment outlays was reached in 1957. Furthermore, in the light of the present outlook for profits, the prospects for exceeding that investment level in the near future are uncertain.

During the past ten years the United States has put only 15% of its total output into capital formation, which includes the output of producers' durable equipment as well as the activities of the construction industry. In this same period, Japan, Germany, Italy, the Netherlands, Canada, Norway and Sweden were all investing 20% or more of their total output in capital goods. As a result, it is estimated that approximately half of our present industrial capacity is of wartime or even prewar vintage, while some two thirds was installed prior to 1950. This aging stock of plant and equipment has presented serious problems involving our balance of payments position and our international trade.

Looking ahead, it is estimated that plant and equipment requirements for the present decade will approximate $500 billion, or about $200 billion *more* than was invested in productive facilities over the past ten-year span. Yet, in many cases the effect of inadequate profits has been to postpone plans for necessary expansion. This, of course, is bound to continue to exert a depressing influence on the labor market.

It is apparent that this widespread contraction of profits is seriously affecting not only the private sector of the economy but the public sector as well. Inevitably, such a general decline results in lowered tax revenues to Federal, state and local governments. For example, as a result of the falling-off of profits between the first and fourth quarters of 1960, corporate tax liability dropped $4 billion at a seasonally adjusted annual rate.

It may be seen, therefore, that the continued reduction of profits, if left unchecked, may set in motion a rapidly descending spiral of business activity, impairing the entire economic structure and weakening the nation both internally and in international affairs. The consequences are readily apparent. History teaches that whenever a private-enterprise economy breaks down, the inevitable result is that the government vastly increases its direct participation in, and control over, the economic life of the nation. And we have seen the results of such governmental intervention on nations abroad.

We cannot hope to win the cold war by aping or emulating those nations which have handed over their liberties to the state. Freedom from state control is the very principle that distinguishes democracies from dictatorships. To take such a course would be to deny our entire heritage, to write off as meaningless all that has occurred from Concord and Lexington to Korea and West Berlin. And then we would not be free men, and we would not be Americans.

I have no concern over the continuing integrity of the American spirit. I do, however, have very serious concern over the ease with which that spirit could be frustrated by the simple process of economic drift. And that drift, already running more and more strongly against us, can be successfully opposed only by restoring profits to normal, healthy levels.

To this end, every businessman has the responsibility to spread the message of the importance of profits as they affect our free-enterprise system. Every one of us has the responsibility to work for the revision of our obsolete tax laws, to strive unceasingly in the fight against inflation, to defend the right of business to exist and function without governmental harassment. Only when we succeed in accomplishing these things can we insure the continued strength and vigor of capitalism. END

EVEN LABOR LEADER **Samuel Gompers, concerned with employment, felt that management's worst sin against workers was failing to make a profit.**

The syndicates have blazed new trails for executive-investor, but the trail markers are often obscure and the possible dangers many.

Pitfalls in Real-Estate Syndicates

PARALLEL with the great stock boom of the past decade, and in many cases outrunning it, has been a mighty bull market in urban real estate. Whole blocks of Manhattan property have doubled in value in the past ten years; one office building that was in receivership for sixteen years has changed hands no less than seven times in the past five years, sometimes being sold twice in the same day.

Partly this has been the result of the inflationary psychology—the same factor that has made investors willing to bid stocks to prices that would have seemed ridiculously high a decade ago. Partly, rising real-estate prices have been produced by demographic factors, the explosion in population and living standards that have strained the seams of the nation's shelter and working space.

But to a very important degree this bull market in real estate has been powered by a group of men—a whole new class of realtors, persuasive and knowledgeable, who have coaxed billions of dollars from the pockets of medium-bracket investors. They have operated through a form of organization known as the real estate *syndicate*. Around it has grown up a new group of realty millionaires, men whose names have become every-day words in the lexicon of real estate.

These syndicators are a different breed from the Zeckendorfs, the Tishmans and the Urises who have done so much to change the skylines of our major cities since World War II. Primarily neither builders nor managers, the syndicators have made their name and fame chiefly as distributors to a broad mass of investors of a type of property formerly restricted mainly to big money investors. The syndicators are the mass merchandisers and packagers of their trade.

Shrewdly merchandising the relatively high yields and the tax deductions obtainable from real-estate investments, syndicators have talked several hundreds of thousands of investors into putting a sum estimated to be as high as $10 billion into real-estate properties. In the past few years, the syndicators have somewhat changed their tactics. Formerly they offered only "partnership" participations in a single big building. Now the bigger ones tend to operate through publicly owned companies holding a diversified group of properties often spread across the map of the U.S.

But whatever their form of organization, the syndicators tell the same sales story: "Only in real estate can

continued on page 108

SPECIAL OFFICE REPORT:

"The Decision

That Can't Wait"

Struggling in a sea of paperwork, battered by mounting clerical costs, business today has no choice but to turn to new, advanced tools and techniques of data handling. Help is at hand—but in perplexing variety. Which way should management turn for rescue?

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With costs of office space mounting, management must battle to get more production from every square foot.

Introduction

Why the Rush?

JUST why can't the decision on office equipment wait? After all, the astute executive seemingly has only to sit back and wait until the dust settles around all the new computers, typewriters, microfilming devices and other fancy electronic gear that manufacturers are bringing out. Then, once he has seen how other buyers are faring, he can simply step out and make his own purchase.

There is just one drawback to that theory: time no longer is on the executive's side. Particularly where office equipment is concerned, it will not wait for him to make up his mind. The business world and the office are moving too fast for that.

Consider the change that has come over the office alone. Just a few years ago, it was little more than a mere adjunct to a business system whose main function was the production of goods. Indeed, it was almost a kind of funnel for cash-flow reports, inventory records and other data going from the factory to the executive suite.

The nerve center

Today, all that has changed. Business is more competitive than ever before. The industrial process has become so complicated, the myriad arms of distribution, merchandising and sales so diverse and complex, that the office has taken on a completely new role. If top management is the brain of business, the office has become its nerve center. It is a nerve center, moreover, which must function with incredible efficiency. In today's competitive times, management needs more information than ever before, and it needs that information to be more accurate and delivered faster than ever.

Speed alone has become a vital necessity. For only with computers, photocopyers and communications devices of its own can a business keep up with the competitors who have turned from men to machines. True, more than one executive has ordered an elaborate, shiny computer and then found that the machine's abilities were several light years beyond his own needs. And other executives have stocked up on, say, complicated communications devices, only to realize that they had purchased a corporate status symbol rather than an effective management tool.

But for every such case there are another hundred instances of machines that not only functioned efficiently but made a vital difference in a company's business. As the case histories in this DUN'S REVIEW survey show, even a company as large as The Martin Co. was able to use electronic cataloging to speed up its research. And a small company like Indiana's Fred A. Beck Co. made a big change in its business simply by switching to transcribers.

The fast pace of business is not the only reason why management no longer can delay its decision. If time is a problem for management, it is no less so for the office machine. Most of the cases where the machines go wrong, in fact, come when management goes *too fast*. It does not allow sufficient time for planning, does not consider that it must fully know what it is obtaining and does not take the time to make certain that it really knows how the new acquisition will fit into its diverse corporate operations.

A salesman's cliché? Consider the most time-consuming machine of all: the complex $20,000 to $2 million electronic computer. First of all, the

buyer must often wait for eighteen precious months before the machine can be installed. Then comes programming, a highly complicated and costly process which often can take two years. After that, a company must also set up and run an elaborate training program in order to teach its people how to get the most out of the new device.

The computer, of course, is a rather obvious example of an office machine which takes time to acclimate itself. Granting that, consider the installation of even so mundane a thing as a new set of office desks and chairs. Merely ordering them is not enough. These days, management must consider not only the aesthetics of those chairs and desks but also their most efficient placement; with the way business needs have changed, the chances are that the old arrangement probably is no longer as efficient as it should be. Yet a good study of office arrangement—embodying lighting, work flow and a thousand small but important details can run into long months of precious time.

Fighting the tide

Even if an executive can withstand all those goads, though, there is another reason why he cannot delay turning to the machine. It is, in fact, the most cogent reason of all. Whether the executive realizes it or not, the office machine has almost become the 20th century's counterpart to the industrial revolution of the 19th century. Fight it, and he is trying to hold back great sociological tides. Worse, it is one that can engulf even the most solidly entrenched business.

That is because it is a tide composed of rising business costs. Uncovered by the 1960 census in a now famous series of findings, the U.S. for the first time in its history has gone from a nation of people who work with their hands and make things to one of clerical and office helpers—with clerical and sales people now outnumbering the blue collar force, 28.7 million to 24.2 million.

This change, moreover, has reached even into industries where such a turnabout would have seemed inconceivable. Take the great Boeing airplane plants of the West, long famed for Rosey the Riveter and other thousands of production line workers. With missiles and the little black electronics box rapidly replacing the great bombers in the Boeing scheme of things, the company's clerical staff now outnumbers its blue collar force by a ratio of no less than three to one.

Even Boeing's experience and the startling census figures, however, do not show how greatly clerical costs have risen for management. From 1950 to 1960 the number of clerical workers in the nation rose by 28.9% —a rate of growth nearly as great as even that of the Gross National Product.

For anyone even remotely connected with a business office, the message in those figures is clear: more and more, company overhead is going to consist of clerical salaries, expensive floor space, "fringe" benefits and lost hours of coffee breaks. In other words, that mushrooming clerical force is threatening to become a truly vast business expense, possibly outweighing in time such other major costs as raw materials, distribution and transportation.

The way out? The machine. Not to replace the white collar worker, or to make him obsolete. Far from it. There always will be a need for the men and women who are now behind the desks or at the computers and switchboards. If anything, the need for them (and their numbers) will grow increasingly with the coming years. But for that very reason management must call on the machine to help it out, if it is to keep clerical costs within reasonable bounds.

That, in turn, brings management back to its basic problem. Given the great welter of office equipment now on the market, the myriad claims made by the various manufacturers, just how does the businessman know which machine is the right one for him? And if he operates a small or medium-size business, without massive financial resources, how can he find out just what equipment he really does need?

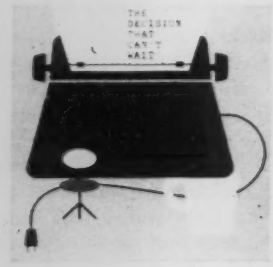
Still another factor

The problem does not end there. Whether he is in a big, small or medium-size business, the executive must consider one other factor as he tries to slow down that spiraling clerical cost. He must also make certain that the mechanical and electronic aids that he buys today will indeed prove to be time and money savers in the future. And he must pick them so that they allow both for contractions and expansions in his own business.

To find out the answers, DUN'S REVIEW has made a thorough study of the office. At special roundtables in Chicago and New York, its editors listened to knowledgeable men who either manufacture or sell the equipment. To balance their testimony, the roundtables were heavily weighted with other men who actually use the equipment—systems managers, heads of office services and even operations vice presidents and controllers. Teams of editors then went into the field, interviewing still other executives, and researchers checked the facts they uncovered.

The result is the DUN'S REVIEW annual report on the office.

Brand-new products and big changes in the old machines are pouring out of the office equipment makers' plants. Whatever equipment business needs, the makers are set to turn it out.



March of the "Marvel Machines"

FOR better than a decade, the electronic data-processing equipment makers have been churning out one new marvel after another, steadily surpassing even the wild imaginations of the science-fiction writers. Into the computers they make they have built increasingly superhuman capabilities, still more staggering operating speeds and monumental degrees of accuracy. Among the whole range of office equipment makers the computer producers hold the public spotlight. They make the glamorous goods, get the headlines in the Sunday supplements.

Big and glamorous as they are (and their sales *do* make up more than one third of the total dollar volume of the office equipment business), they are not the only ones in the industry making new products, adapting old ones and putting a lot more speed and capability into their machines. Under the pressure of heightened competition — from European products as well as those of their U.S. rivals— office equipment makers have been doing just these same things to give business the equipment it needs, and to turn as handsome a profit as possible.

Some of the new products are prompted by the rise of the computers and work in conjunction with them: new kinds of accounting and bookkeeping machines, new desk-size calculating equipment. Others are linked directly to management's pressing need to spread information through an organization and to speed the paper flow of business.

The result here is a rocketing gain in sales of copying machines and a rush of new machines to the market. Even the humble typewriter has lately undergone a change of great magnitude. IBM, biggest of the electric typewriter producers, a few weeks ago came up with a model it calls the Selectric. Where a normal typewriter's carriage moves the paper in front of the keys, the Selectric's "keys" are condensed into a small wheel, bearing 88 type characters, which itself moves

across the paper. The result: greater speed, more adaptability—and a major advance in office technology.

More important to management, though, are the machines that take over once the sheet of paper emerges from the typewriter.

The hottest of these products have long been the copying machines. Their sales stood at a little more than $170 million three years ago. Last year they got close to $220 million and this year may hit the quarter-billion-dollar mark. More than thirty different companies produce these, and every month a steady flow of new products emerges from their plants.

"Suddenly," says one manufacturer, "businessmen seem to have discovered how much it costs to type a letter. There are some estimates around that it costs $1.80 to type one letter, and only a few cents less to send out typed copies of that same letter. On some copying machines you can produce each copy for 10 cents at the most."

How to choose

The scores of copying machines on the market use half a dozen different processes to do their work, are turned out by some thirty-odd companies. All but the electrostatic machines, though, work on a contact printing basis, producing copies the same size as the original. How does a businessman choose among them? The choice, most buyers quickly find, depends on what they want the machine to do. "There's one thing certain," sighs one buyer. "No matter what you want, there's a copier that can do it."

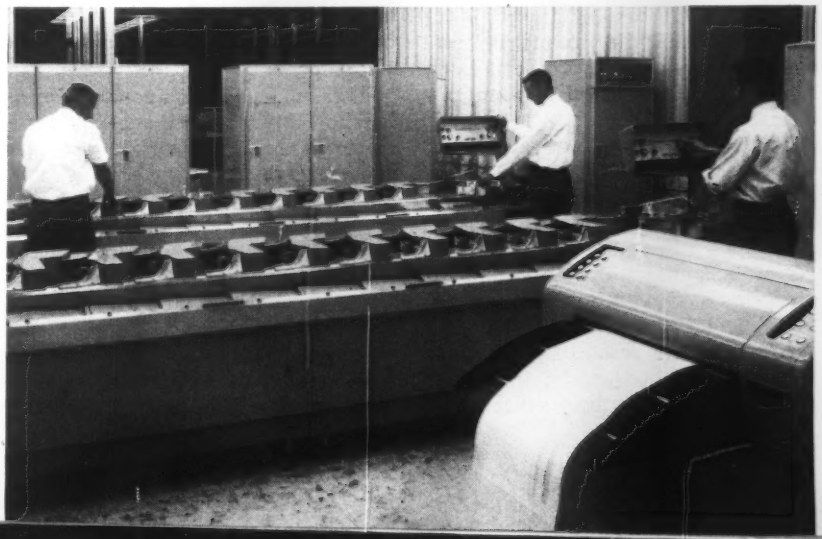
One of the least expensive and probably the most widespread is Minnesota Mining & Manufacturing's Thermo-Fax. Another, the Xerox 914, handles such hard-to-copy material as pages in books, news articles and mechanical layouts. In similar fashion, American Photocopy's Auto-Stat can copy virtually everything, and is not stopped at all by color as the early copy machines were. And General Aniline & Film Corp.'s Ozamatic 60 moves along at the rate of 40 feet a minute.

No matter what the job, the manufacturers of office equipment are coming up with a new way to do it. Consider the once tedious, expensive job of tearing apart continuous tab cards after writing. Now, the Selectronic Tab Card Burster, made by the Standard Register Co., will trim and

KEYPUNCHERS pump data on orders and inventories into computer center from which Bobbie Brooks, Inc. runs its national garment distribution system.

QUALITY-CONTROL is the prime function of this RCA 501 computer system on which RCA itself checks the standards of millions of electron tubes.

BANKERS' newest bookkeepers are computers that sort checks and print statements for customers, like First National of Arizona's GE-210 computer.



RETAILERS' helper, this Sales Recorder photographs merchandise tags for computer-run inventory analysis.

EVEN filing cabinets come in new shapes like this Conserv-a-matic, cramming bulky papers into small space.

strip individual cards as fast as ten girls could do the job by hand.

Or take such jobs as putting stamps on envelopes or simply stapling together business forms. Prosaic jobs, true, but also very expensive when employees are tied up at them.

At one Washington, D.C. bank the clerical force was long bothered by using conventional hand staplers, which were prone to damage and slow and awkward. Now the bank uses Swingline, Inc.'s automatic electric stapler, and bank personnel can handle large deposits of checks twenty times faster than with the ordinary hand stapler.

Stamping envelopes? Pitney-Bowes' now famed electric postage meter has speeded that up, too. This dual-purpose mailing machine seals, stamps and stacks letters in one operation, or issues gummed meter stamps for packages and bulk mail. Add an envelope feeding machine, and the meter becomes fully automatic.

One man's savings

The 300-year-old accounting machine itself is making progress. Consider the results shown by Denver's Ringsby Truck Lines, which recently installed National Cash Register's $20,000 automatic accounting machine. Able to operate at 85 milliseconds per calculation, the new machine will eliminate nearly half a dozen accounting operations previously handled by Ringsby's terminal management people. The saving in man-hours: no less than 6,000 to 7,000 a year.

Previously, Ringsby's office force had to go through all the myriad calculations needed to make out a company payroll. Now, its terminal people merely add the total hours worked and pencil the information on a time card that is sent on to headquarters. Total hours are verified and submitted to the Computronic, which calculates the completed writing line, earnings, overtime and variable deductions, automatically cuts off the deduction for FICA when $4,800 is reached and calculates federal and local taxes.

One big new switch in accounting and bookkeeping machines is toward making them adjuncts of electronic computers. Many standard accounting machines, desk calculators and so on produce the answers to their computations by temporarily displaying a set of figures in a slot or on a dial. Start the next problem, and the figures disappear. The new machinery stores the answers—printed out like a receipt from a cash register or punched on tape. The purpose is to furnish a permanent record that can be transferred later if need be to a computer.

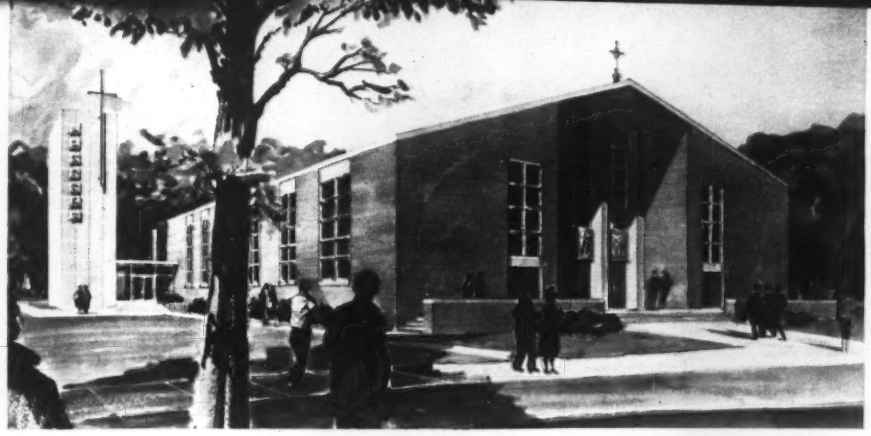
These changed machines are spreading fast through business. Big companies need them, because they use computers regularly and so must have their records readily available, printed or punched on tape. But small companies, too, are turning to the new machines. They do not have computers of their own and many do not foresee having them, but they do use time on service bureau computers to solve some of their business problems, and this makes it just as necessary that they, too, keep their records.

For just such reasons as that, business paper records keep piling up. Naturally, it tends to get more and more difficult for a businessman to find the records he wants in the growing mass of paper. And this leads directly to the growth of another new set of office machinery—information retrieval systems.

These new systems—"IR" for short—vary enormously in size and complexity. One that IBM is developing for the Central Intelligence Agency is controlled by an electronic device that can retrieve any one of 99 million documents from a storage center in just five seconds. Business may have paper problems, but they are not as bad as the CIA's. So office equipment makers have turned to much smaller microfilm systems for business records. Recordak, Filmsort, Itek, Magnavox, Nord Photocopy and 3 M, as well as IBM, make these smaller IR systems for offices. The principles are the same, but the complexity is much less.

Is the filing cabinet, then, a thing of the past? Not if the cabinet makers have anything to say about it. Among other manufacturers, New York's Supreme Steel Equipment Corp. made 225 Conserv-a-matic units for the securities vault of Chase Manhattan Bank. By using these, the bank has been able to consolidate all its securities into one vault. Similarly, Diebold, Inc. has developed power files, which file or retrieve records in electric powered, floor-to-ceiling units at the touch of a button.

continued on page 48



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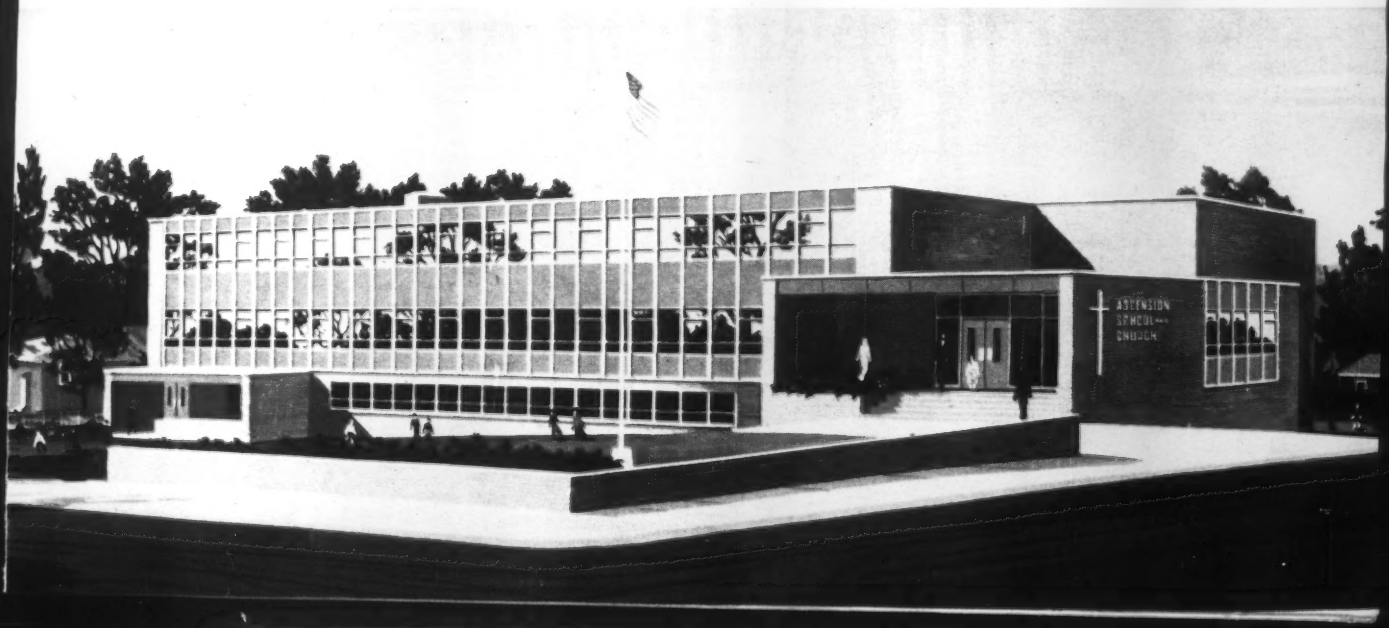

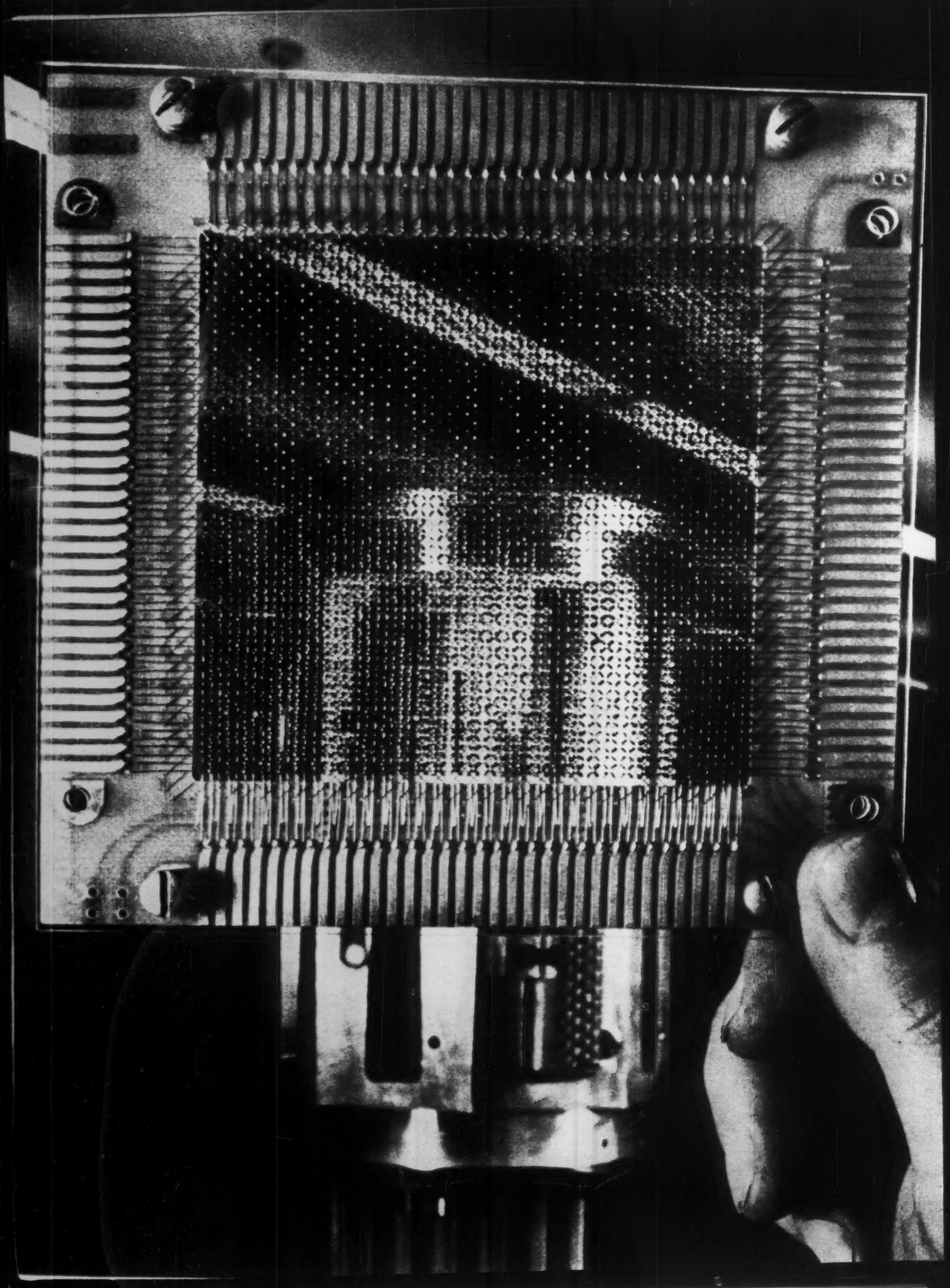

Another from Univac!

Now Univac merges drum and core memory to bring you lightning speeds and unprecedented economy in a new medium-scale system—The UNIVAC® Solid-State II Computer!

All of them from Univac! The first commercial computer! The first solid-state computer!* The world's most powerful computers as well!

And now, the new UNIVAC Solid-State II, a radical departure from conventional computer design . . .

It provides data processing users with speed and economy never before possible in a medium-scale computer.

How? By combining *two* types of internal memory storage within a *single* tape system!

First, it uses drum storage for large programming capacity. This gives you the economy of one-run processing. Second, it employs core storage for high speeds. This cuts cycle time, keeps your files up-to-the-minute during continuous use.

Two, three, even four times faster than other computers in its class, the new UNIVAC Solid-State II trims memory access time to just 1.5 microseconds per digit. This remarkable speed, harnessed to the computer's large internal memory, produces unsurpassed performance on file maintenance applications. For example, your inventory or production control. Your accounts receivable or sales analysis. Your year-to-date payroll figures.

You can give these and other business operations the outstanding performance and reliability of a UNIVAC Solid-State II for as little as $6,500.00 a month. If you'd like to look into the possibility, why not call your local Univac representative. He'll be glad to give you all the details.

Compare the features of the new UNIVAC Solid-State II Computer: 14,080 digits of core memory • 96,800 digits of drum memory • two tape synchronizers • twenty tape servos • nine index registers • multiword transfer from drum to core and from core to drum • full alpha-numeric compare.

UNIVAC

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* In just over 20 months, 300 of these UNIVAC Solid-State Computers were built, delivered, and installed. Sales currently booked will soon carry production well beyond the 500 mark!

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And Workwall is economical! Its one, exclusive patented system accommodates any elevation from as low as 42-inches to as high as 12-feet.

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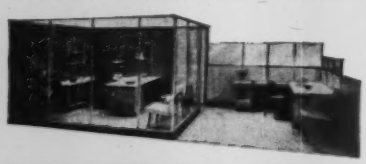
Write now for our free catalog . . . and see for yourself how high-style movable partitions can be individualized at a low, low price well within your budget! Coupon below brings catalog that tells all!



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And then, of course, there is all the work the computer makers have been doing. Most notably, in the last year or so, they have got a lot closer to the nuts and bolts of general business needs. The enormous advances in technology they made during the second half of the 1950s have been slow in filtering down to this level. One of the main reasons is that the computer makers were a lot more intent on devising constantly faster, more complex machines than on searching out more business applications for the more modest computers that have been around for several years. This is understandable. The pressure for still more sophisticated, more elaborate computers came from the Government—mainly the military—and from defense contractors. They want machines that will help them discover the most economical trajectory for a rocket on a mission to Mars. Business, generally, wants machines that will help it discover, for instance, the most economical and safest balance of inventories to sales—a much less complex problem.

"The computer industry," says Ray Eppert, president of Burroughs Corp., "much like the auto industry a few years ago, has been engaged in a horsepower race."

One of the results, computer experts agree, is that computers in business are being used at barely 10% of their capacity. But the computer makers are not slowing down on their research and development, the purpose of which is to add still more power to their products. They are just giving more emphasis to the needs of their general business customers.

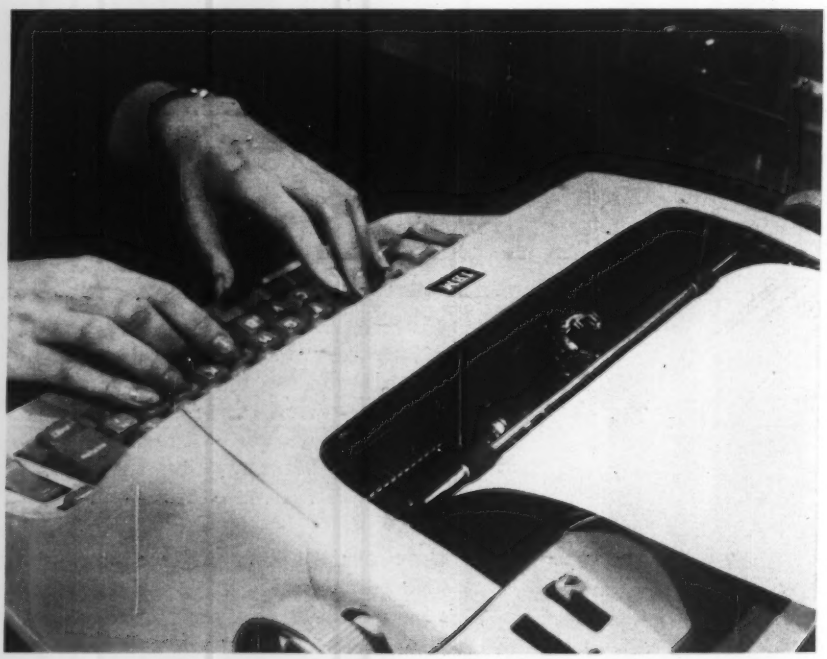
Five-way program

This work falls into five main areas: better means of data collection, cheaper programming methods, improved data transmission, speedier data input devices and quicker and easier interpretation of the results once a computer solves a problem.

"We'll have a lot less trouble getting businessmen to use computers," a vice president of one computer-making company said not long ago, "as soon as we can develop devices that can accumulate data cheaply and easily."

The business equipment makers are developing just those devices. Two major lines of business—retailing and manufacturing—will benefit chiefly from these new products.

Retailers used to keep a check on sales and inventories by stripping away half the sales ticket from each item when it was sold. Each week they collected the ticket stubs, had them manually converted into a set of punched cards, then sent the cards



HUMBLE typewriter changes its face, too, now that IBM has dropped the old type bars and movable carriage from its latest electric model, the Selectric.

to a sorter. Eventually, they got the answers to the vital questions: How much have we sold? How much do we have in inventory? How many more should we buy for stock? It was all a time-consuming process.

Now two small companies—Photologics Co. and Associated Sales Analysts, Inc.—have got together to produce a device that photographs each ticket stub on reels of microfilm. As soon as a reel of film is shot, it is sent to a data-processing center, developed, and fed under a photoelectric scanning device. This reads the film images, converts the information on them into magnetic pulses that are fed directly into a reel of magnetic tape. The tape reel can be slapped straight on a computer.

Factory data-collection systems that keep track of the progress of each stage of a manufacturing job have been devised by such companies as Dashew Business Machines, Friden, Control Data Corp., Farrington Electronics, General Electric, IBM and Standard-Register Corp. These systems work through quick and simple feeding of information onto punched cards and speedy transmission of the punched-card information to computer centers.

Tedious and costly

Communicating with the computer has long been one of the most tedious and costly jobs for a company that has decided to modernize its office and install one of the monsters—and its cost has kept plenty of other businessmen from installing computers at all. And the computer makers know it. Says George W. Dick, vice president of RCA's Electronic Data Processing division: "Today the costs of the 'software'—the programming necessary to make the electronic equipment do the job—about equal the cost of the hardware itself."

This is why manufacturers like Philco, Bendix, Minneapolis-Honeywell, and so on have been working on new systems to make programming simpler. Philco has lately come out with a compiler that functions with its Model 2000 computer and enables a user to write programs for the machine in a type of basic English called "COBOL" (for Common Business-Oriented Language). Some manufacturers have taken this a step further. Burroughs, for instance, has built into its B 5000 computer the

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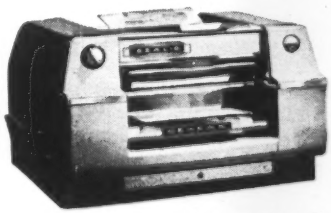

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61-4

ability to handle programs written in COBOL.

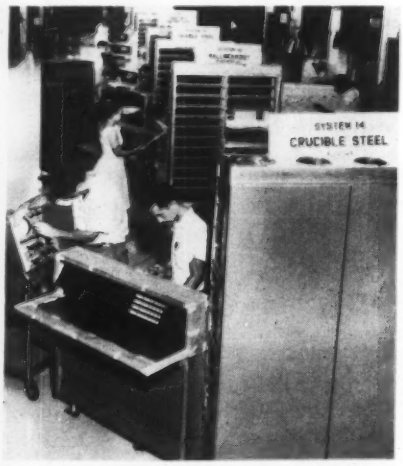
Getting the data to the computer is not an easy job either. Costs force even the biggest companies to set up single computer centers to which they feed information from plants and branches.

"Right now," says Herman L. Philipson, Jr., chairman of National Data Processing Corp., "the cheapest and fastest way of sending a mass of data across the country to a computer is to put it on magnetic tape and ship the tape by air freight."

Code by telephone

But this is changing fast. Equipment makers are now turning out machines that will flash messages in binary code—"computer language"—over ordinary telephone lines to a computer center. Digitronics Corp.'s Dial-O-Verter is one of these machines. It works in conjunction with Bell System's Data-Phone 200. The Data-Phone operator dials the location of the computer center—then the Dial-O-Verter takes over, feeds information to the computer at a rate of 150 characters a second, first checking the phone circuit to assure reception is good.

Big companies are getting into this business in a rush. Bell System, General Telephone, Teletype, Teleregister Corp., IBM and RCA are introducing their models now. General Telephone's Chairman Donald C. Power predicts more than 100,000 of these machines will be in use by 1965, up from only 6,000 by the end of this year. And AT&T's President Frederick R. Kappel, impressed by the



PRODUCTION LINE at RCA's computer plant is crowded with new orders.

The RPC-4000 Electronic Computing System can help a company drowning in a sea of figures

If your company's progress towards new products (and fresh profits) is swamped by a rising tide of figure work . . . if your company needs a computing system but has been sitting on the fence waiting for the right one to come along—then you should know more about the Royal Precision RPC-4000. The RPC-4000 is an *advanced*, fully-transistorized computing system offering "medium-scale" capability at a surprising small-scale price. It is equally suitable for engineering or business use. It requires no air conditioning, no site preparation. It plugs into any 110-Volt AC outlet. And, with COMPACT, the new compiler: 1) you achieve machine language compatibility with popular large scale systems . . . 2) you receive the ultimate in automatic programming techniques and . . . 3) you eliminate cumbersome conversion routines. Royal Precision RPC-4000's are being delivered now. With it, you get the help of a skilled service force with experience in over 450 computer installations. All good reasons, surely, for writing to Computers, Royal McBee Corporation, Port Chester, N.Y. for more information.

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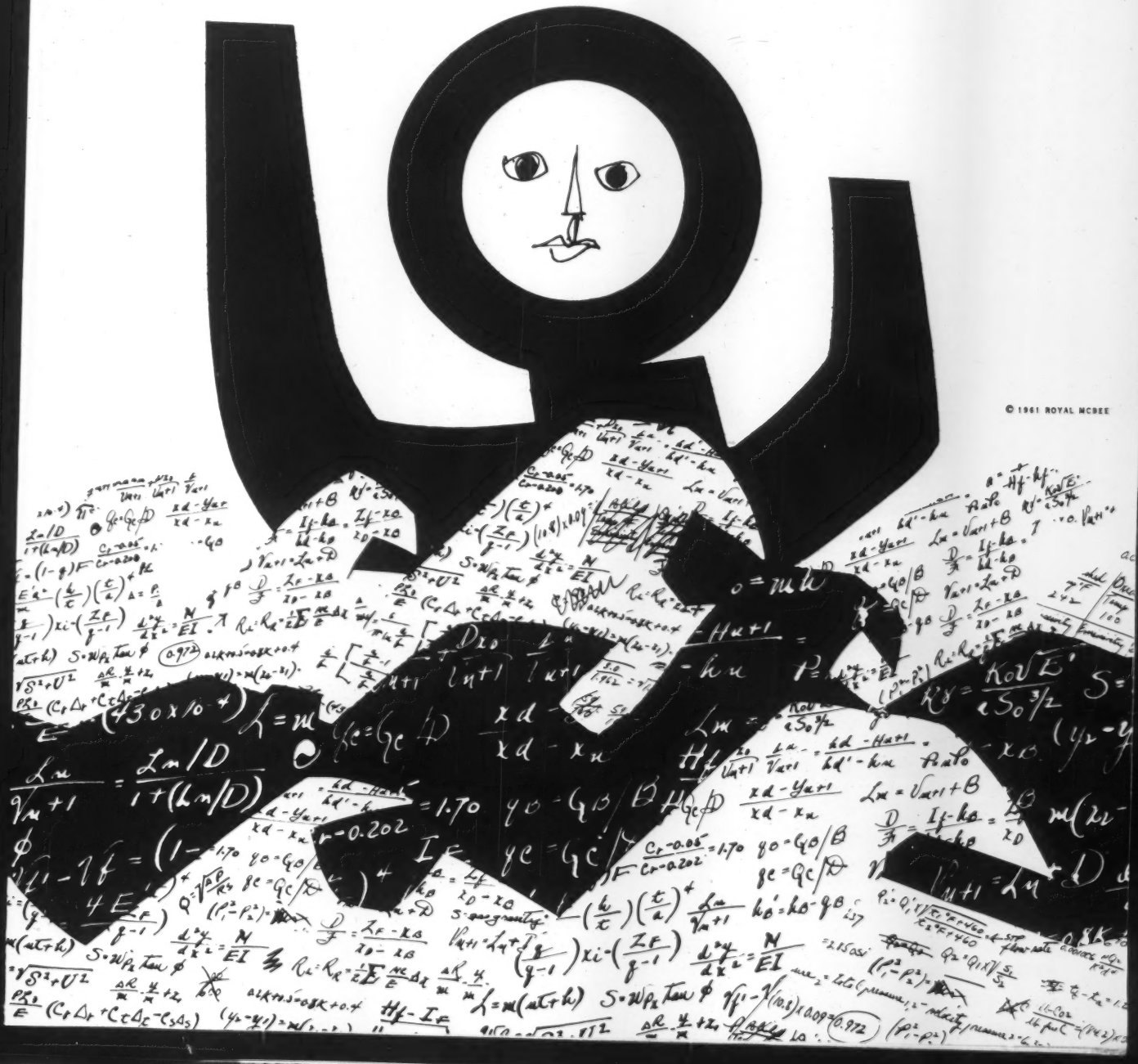
ELECTRONIC DATA PROCESSING SYSTEMS



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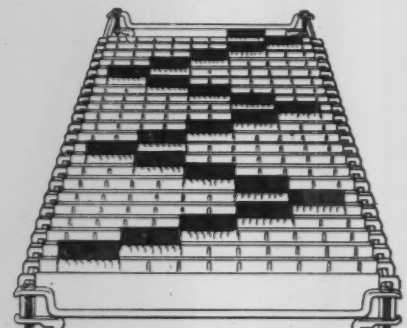

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speedy growth of these products, predicts: "We feel that within fifteen years the volume of information communicated between machines may be even greater than the amount of communication between people."

The computer's great advantage is its speed in handling problems. But this can be wasted if data is fed to it too slowly and if the machinery through which the computer spews out its answers can't keep up with the computer's speed.

Reading the data

To break through the first barrier, a host of companies, some of them big, many of them small, are turning out new input equipment for computers. Most important are the reading machines—optical scanners that glance at typed-up data, automatically translate it into computer code and feed it straight into the computer. Banks, of course, have been using another system—magnetic ink character recognition—for a couple of years to help them process checks. Addressograph-Multigraph Corp. has lately come up with a bar-code reader, a $25,000 machine (for which it now has more than forty orders) that reads a special bar code printed below ordinary numbers for fast computer input yet easy checking by office personnel.

Speeds are getting higher in computer output devices, too. Some of the newest output printers, though, are already so fast a businessman would not be able to keep them busy; they can print 100,000 words a minute, and they cost up to $500,000. Curtis Publishing Co. has found the kind of machine it wants at half the price. Its $250,000 General Dynamics Corp. SC-5000 prints the labels for all the magazines Curtis publishes each month. Recordak Corp. produces another output device. Its DACOM takes the computer's responses, converts them from impulses on magnetic tape to plain language on microfilm at speeds up to 20,000 characters a second.

With all these new devices churning out of the factories, computer makers believe they will rapidly begin closing the gap between the capabilities and the application of their products. But they recognize they still have a delicate selling job to do.

In hotel ballrooms, company laboratories, branch offices and specially constructed education centers around the country they are conducting one of the most unusual sales campaigns in business history. There, hundreds of thousands of business executives and their employees are being instructed on how to comprehend and use the latest marvels of the computer industry.

"This is no charitable operation," says Alan Negus, vice president of Naremco Services, Inc. "It's the prime element in the equipment makers' sales programs."

The computer makers are also selling their big machines at loss-leader prices to colleges and universities, where hundreds of business students work part-time helping set up programs for these machines. The result will be that the next generation of business executives will be on intimate terms with big computers—and will thus be prime customers for the computer makers.

The "smart-sell"

But the equipment builders' sales pitch has to be delicate. Before a likely customer signs any agreements, the computer maker sends a systems engineer to look over the customer's office or plant and examine his needs. If the engineer thinks the customer is not yet ready for the step of leasing a computer, the deal does not go through. This, say the makers, is the "smart-sell."

They also look for sales through the work their service bureaus do. The courts have barred IBM from using its service bureaus as sales centers for its equipment, but other computer makers operate similar bureaus —generally at a loss—mostly to demonstrate their products.

New products and the new approach to salesmanship make a powerful package. As businessmen get more familiar with the capabilities of all this new office equipment, sales in the industry bound upward and the mounting masses of paperwork that business creates in order to function flow more smoothly and effectively. Computers and the whole raft of less sophisticated office equipment offer business its only way to beat the mounting pressures of high salaries, shortage of clerical help and the increasing load of paper work.

Special Report continued on page 55

Can good-looking desks be any good for work? Sit here and see

The modern styling and classic simplicity of the new Shaw-Walker Skyline "clutter-proof" desks will make any office a *beautiful* place to work. That's obvious.

What's not so obvious, but apparent the minute you begin using the desk, is its remarkable *workability*. You don't find *this* in other modern styled desks. Shaw-Walker *Skyline* is really ingenious in helping desk people with their work.

Skyline has 17 in-drawer organizers*, all space-planned. The result: Clutter-free drawers and a desk top always clear for current work. More gets done—easier. *We can prove it to you* in ten minutes. Phone your Shaw-Walkerman today. Or write for color brochure, "Shaw-Walker Skyline."

***17 SHORT CUTS** to easier desk work. Shaw-Walker's "clutter-proof" facilities eliminate the time lost searching . . . because all work and working tools (even letter trays and wastebasket!) are in the space-planned drawers—organized for instant use. *Nothing like this in any other desks.*

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SHAW-WALKER Largest Exclusive Makers of Office Equipment
Muskegon 93, Mich. Representatives Everywhere

now... make copies on ordinary paper

...without waste!

Who needs wastebaskets?

There's so little waste of paper with a 914 Office Copier that the cost of discarded copies has become an insignificant factor. The oversized wastepaper basket (which had to be emptied 4 or 5 times a day) is fast disappearing from the modern office.

Push a button . . . copies flow!

Anyone can make perfect copies everytime on a 914 Copier. No wet chemicals or expensive copying paper are required, and there are no exposure settings. It's fully automatic! Makes copies on ordinary paper (plain or colored) or selected offset masters.

Copies are as good as originals

So fine is the quality of reproduction with a 914 Copier that many people say copies often look better than originals. Copies anything—letters, invoices, statements, newspaper articles, even pages in bound volumes or paste-ups on rigid material.

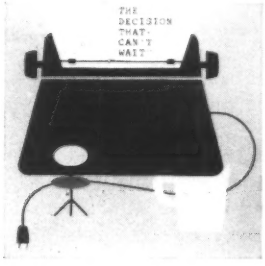
If you spend $50 or more per month

on copying supplies, you can afford to modernize your copying methods. Reported one 914 user, "It lets you do so many things, make so many copies." Write for booklet. XEROX CORPORATION (formerly Haloid Xerox Inc.), 9X-49 Haloid St., Rochester 3, N. Y.

914 OFFICE COPIER • XEROX CORPORATION

II

A glittering array of costly hardware stands ready to rescue the businessman from paperwork flood. But if he picks the wrong equipment, he may be in worse trouble than before.



The Customer's Dilemma

IN THE dead of winter earlier this year, executives up and down the Atlantic coast received a one-page flier from Boston's Northeastern University. Aimed at a broad range of management personnel, the letter announced the launching of a nightly two-hour course in "Paperwork Management." Some 42 executives from two dozen companies enrolled.

Halfway across the nation, at roughly the same time, a midwestern state university was debating whether it should require a course in paperwork of all business school graduates.

To students of the business scene, such developments signaled the first stirrings of a unique business trend. "Universities," says one management consultant flatly, "are usually years ahead of most companies. They spot the problems, then run courses on how to solve them—often before the companies realize what's wrong." Clearly, the universities were now zeroing in on a new target: management's massive paperwork problem.

Executives everywhere, of course, have long suffered under that burden. Few of them escape the pressure of reading reports, digesting the contents, and then writing their own. And still fewer have any real hope of relief. For, in a sense, the endless circulation of forms, memos and drafts is to many companies what the bloodstream is to the human body.

Yet the very necessity of that paperwork torrent poses a dilemma of no mean proportions for management. For the heavier the flow the greater the cost both in clerical payrolls (*see chart, page 56*) and in precious executive time.

All at once, management's awareness of that cost crystallized into awareness that something had to be done about it. For the "how and why" of office operations, executives realized, were just as crucial to its profit position as the "how and why" of production.

Once this fact popped into focus, a veritable stampede began toward sophisticated office machines. And office equipment manufacturers were quick to come forward with a staggering profusion of mechanized remedies for management's paperwork ills. Clearly, much of this new equipment did promise unheard-of speed and accuracy in data handling, to say nothing of payroll savings. But, confronted by such a profusion of glittering hardware, business found that a new dilemma had taken the place

FOR COMPANIES that want the benefits of computer service without the headaches of computer ownership, computer service centers provide a solution.

of the old. Now the question had become: What equipment should we buy? What is right for *us*?

The answer can be appallingly difficult to get. Take, for example, office communications equipment. Some 25 major manufacturers, marketing three basically different systems (voice transmitters, facsimile machines and conveyors) offer a bewildering variety of products.

In the area of voice transmission alone, "walkie-talkie" paging systems are slowly revolutionizing office-to-factory communications. Vest-pocket receivers, for instance, marketed by Motorola and General Electric, offer ranges of five to ten miles. Using such a system, a front-office executive can page a shop supervisor in a matter of seconds, even if he is inspecting a remote corner of the plant.

Besides the new pagers, two basically different intercom systems—the interphone and the amplifier-speaker or "squawk box"—are competing for the customer's coin.

The makers of intercoms have studded their machines with amazing features. For example, one Dictograph amplifier tells who is calling and leaves a message if no one answers. A Bogen-Presto product flashes a light, informs the employee who wandered from his desk that someone called in his absence.

But there is more than gadgetry to confuse the customer. The "squawk box" varies in the number of outlets it can service, depending upon who manufactures it. Thus, an Executone model can serve only twelve outlets. An Electro-Vox model can service up to 48.

A simple matter to choose? Hardly. For some office experts maintain that if he needs more than 36 outlets, the customer is better off with an interphone. And for those customers who want the advantages of both, Dukane Corp. offers a model combining the amplifier-speaker and interphone in one chassis.

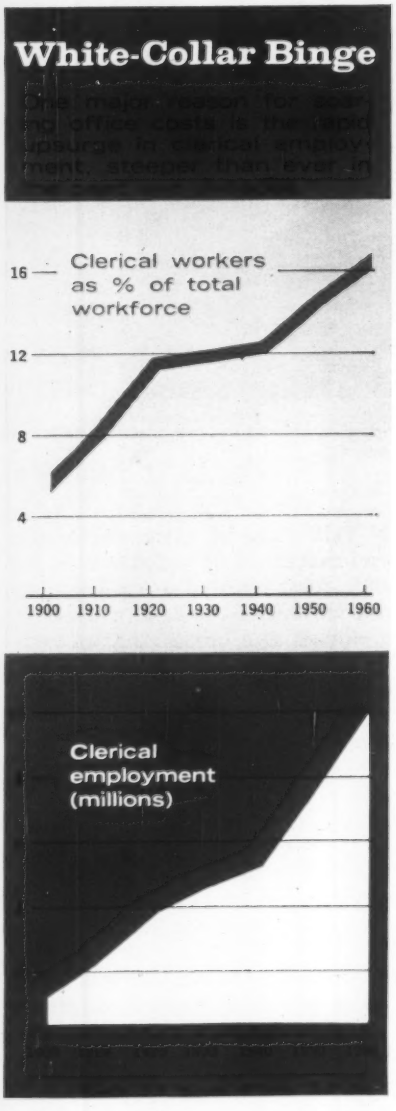
To add to the customer's problem, this smattering of alternatives barely scratches the surface. For in some operations the intercom is hardly an answer. Where charts or blueprints must be transmitted, for example, many companies are turning to facsimile reproduction. Thus, an engineering department that wants to rush blueprints to another office might send them via Western Union or Fairchild transmitters.

But what about the company that must send data it hesitates to entrust to facsimile or a messenger service? Here too a dilemma can arise. One solution is the electric longhand machine, which consists, in principle, of two pens—one operated by the sender, one that writes automatically at the receiving end, reproducing the sender's message. Still other processes include pneumatic tubes and conveyor belts.

Useful for transferring documents physically from one location to another, these devices offer obvious advantages over hand delivery. But they are practicable only when office layout is permanently fixed. And with management's fast-changing information needs, and the new systems being installed to meet them, what company can be sure it will be making no changes in office layout in the next few years?

Even selecting a dictating machine has become a confusing enterprise for the businessman. For here over sixty different models, at a wide range of prices, are available to the buyer.

Tape, disc or belt? There are arguments for each. Too, dictating capacity differs widely. Dictaphone Corp., for example, produces one portable model with a single-use plastic belt that yields fifteen minutes of dictating time. Another portable model by the same man-



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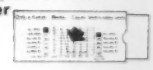

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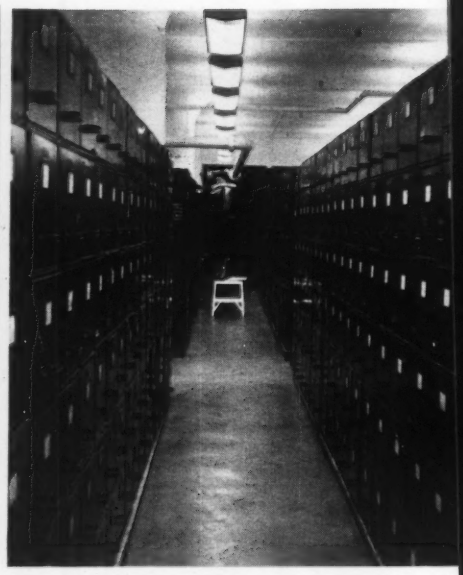

SIX tiers high, this long galley housed hard-to-reach filing system.

ufacturer uses magnetic tape, has a one-hour capacity. A new IBM model with a reusable magnetic belt yields fourteen minutes of dictating time. And this only scratches the surface of the available alternatives.

Herbert W. Dean, Eastman Kodak's manager of office services, puts his finger squarely on one part of the customer's dilemma. "The office," says Dean, "operates largely in the realm of ideas. And the medium you work with is a scrap of paper."

How do you measure an idea? What calipers embrace paper flow?

The answers, so far, are obscure. But any company looking for a way out of its paperwork dilemma must face one hard fact: a thorough systems study is the indispensable first step.

Unexpected savings

Time and again, reported the experts at DUN'S REVIEW roundtables, systems studies in themselves have produced unexpected savings. An overview of office operations reveals paperwork bottlenecks, exposes short circuits. As a result, judicious pruning and reorganization can often save thousands of dollars. And many such studies, it is worth noting, reveal that the solution management is seeking is possible without any equipment outlays at all.

Take, for example, Eastman Kodak's experience, reported by Office Services Manager Dean. "We did a thorough study on the practicality of

NOW, BY using its own system of punched cards, as above, and microfilm, Eastman Kodak has cut the annual operating expense of its files by about 30%.

installing electric typewriters," says Dean, "and we came up with some rather surprising results. For all their other advantages it turned out that those electrics didn't raise typing speed to the level we had expected. So we decided to stick with manuals in most cases."

But the real justification for a systems study is a lot more basic than that. The vice president of data processing at one large company puts it bluntly: "American corporate management may not yell about it, but over cocktails it will admit that office operations are in pretty lousy shape." Echoes consultant Frank M. Knox: "Three out of five companies don't even have a systems and procedures department. And they are shocked at the very idea of establishing one. 'You mean we have to put a man full time on this?' they ask. And this may be the executive vice president talking!"

Yet the same company may be eager to buy a computer for status reasons. Here it runs into still another problem.

"A computer," observes Richard H. O'Brien, president of Information Handling Services, "is a Rolls Royce type solution. Certain problems require it. But because of their capabilities, there is a tendency to apply computers to problems which can be handled more economically with less sophisticated systems. And often, a computer has been acquired for status, and management gets a compulsion to keep it busy full time. What happens then is that your Rolls Royce is used to haul trash—which could just as well be handled by a pick-up truck type of data handling facility."

Adding to its own dilemma, top management has yet to decide, once and for all, what information it wants. Says one consultant: "I have seen members of top management completely snowed under by IBM tally sheets they didn't know or understand what to do with. They never had decided what information they wanted, or in what form it should be."

Failure to come to grips with this seemingly basic question is amazingly common, experts report. And it is aggravated still further by the "data *vs.* information" headache. "Data is fact information," explains Milton Stone, director of management information systems at Arthur D. Little, Inc. "Information is a useful fact. It is possible to generate great quantities of both. But management is obliged to decide, in advance, exactly what it seeks in both areas."

That, however, is far from the only problem. If a feasibility study is to expose the gaps in current systems, then pinpoint the equipment to plug them, follow-through is essential. Yet many such studies have been halted in their tracks by the opposition of middle management, lower echelon supervisors, and rank-and-file workers.

The reasons are not hard to find. Dr. Ernest Dichter of the Institute for Motivational Research cites two common fears expressed by middle and line managers: "Will I become a machine operator?" and "Will I become obsolete?" The latter question, in even

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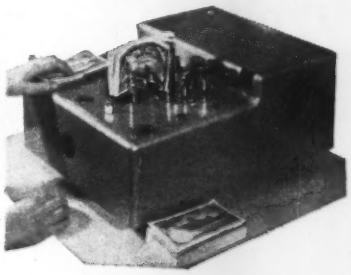

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more pressing terms, also gnaws at the clerical rank-and-file.

How can top management counter such fears, as it must in order to realize the benefits the new agreement can bring? First, say experienced systems men, it can establish a vigorous communications program explaining the need for a computer feasibility study. Second, it must give the people making the study the authority they need to make it a success.

These two steps are combined with considerable success at S. C. Johnson & Sons, Inc. "Management gets our systems men at the grass roots," reports Credit Manager J. I. Vaughan. "From the very beginning they are part of the planning committee. They wind up not merely installing mechanization, but helping to sell it too. Fail to do this," he adds, "and you're apt to be in trouble."

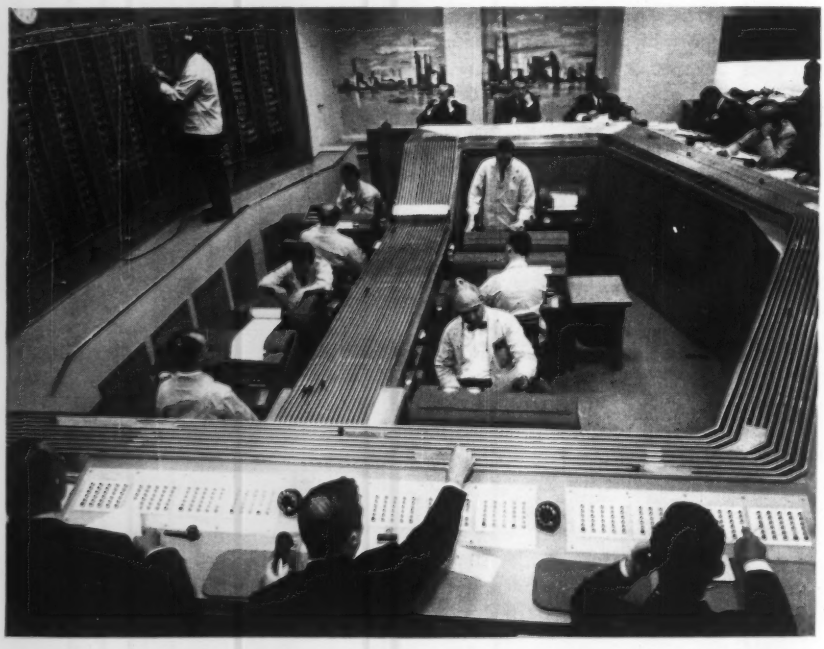
Skirting such pitfalls, of course, is only part of management's problem. For the simple fact is that computers and their like cannot handle *all* office routines more economically than conventional methods.

Frank L. Zupan, Motorola's assistant manager of corporate accounting, nails down this point with his own experience. "Data processing equipment did wonders for us in certain areas," says Zupan. "Sales and profit reports are an example. Today, we get them two weeks earlier than we did six years ago. But other reports, such as those relating to product cost distribution in a multiplant operation, ran into roadblocks on the computer. We find if we do them manually, costs are substantially lower." Reason: for such reports, too many exceptions had to be programmed into the machine.

Programming time, in fact, can be an even bigger headache than picking the right hardware. "There's no question," admits James B. Ford, general sales manager of Burroughs Corp.'s data processing division, "that the investment in setting up and programming a computer is greater than the cost of the machine itself." (A "small" computer may cost $50,000; a large one perhaps twenty times as much.)

Stone of A. D. Little raises another difficulty. "There is nothing necessarily wrong," he points out, "if a computer sits idle part of the time." Comparing the computer to a general-purpose machine on the production line, Stone observes, "Nobody complains about two hours' downtime if that machine does a whale of a job on a half-dozen different production items during the other six hours. The only time full utilization is important is when you are grinding out thousands of checks in a bank or processing thousands of checks in a retail operation. That's a real production job. It justifies the effort to get full-time use out of the equipment."

Bedeviled by all these perplexities,



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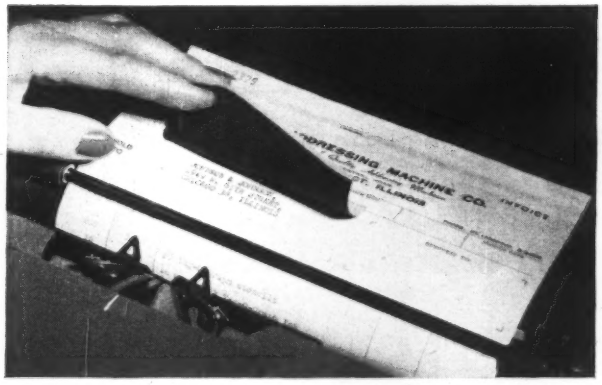

BY-PRODUCT—Weber Tab-On Stencil is tabbed over ship-to area of your invoice, bill-of-lading or shipping forms and cut as a by-product of the forms writing. In one typing, both shipment addressing master and forms are prepared with customer's address.

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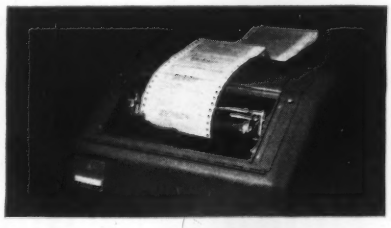
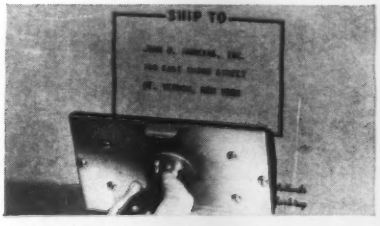


INTEGRATED DATA PROCESSING EQUIPMENT, such as Flexowriter (left) and Teletype (right), cut stencils as part of user's paperwork system. Weber stencils can be adapted to practically any forms production procedure and add greatly to the usefulness of modern office equipment.



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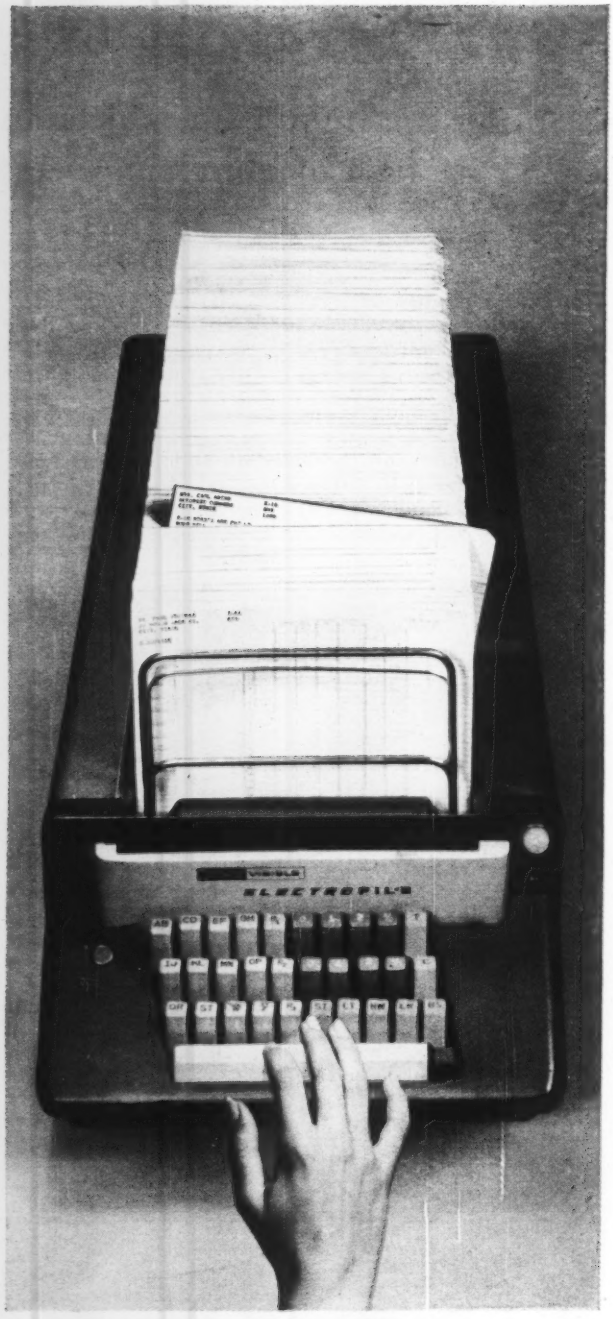

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what solid test *can* the customer apply? The best answer, admittedly no easy one, is simply cost. If computer installation results in an ultimate saving over pre-computer operations, most systems experts insist, there is no need to squeeze every last drop of profit from the machine. Especially, they add, at the risk of costly reprogramming later on.

The threat of obsolescence

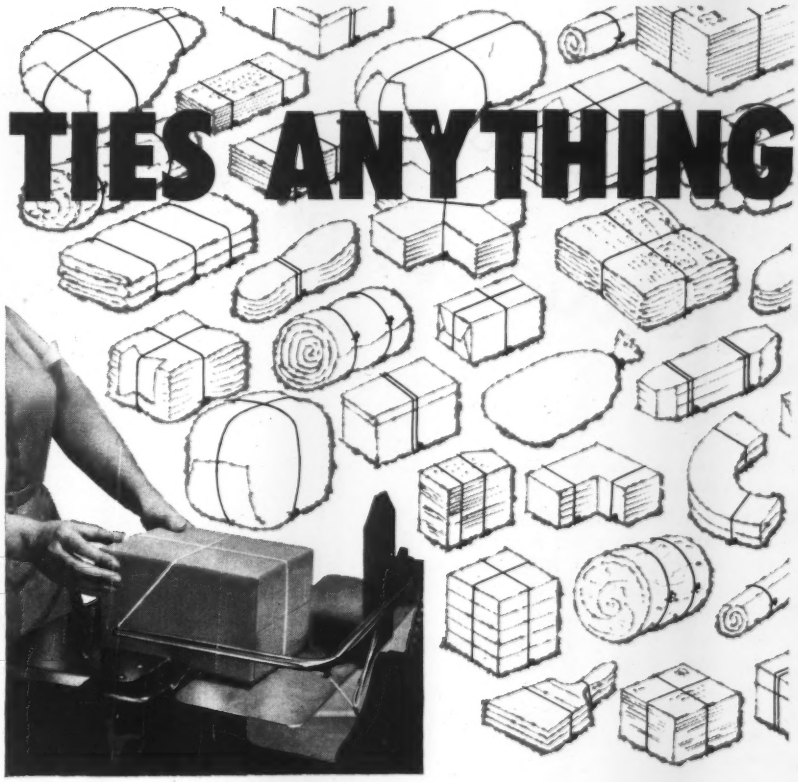
What about the bugaboo of obsolescence? "Suppose we budget $500,000 for office automation," says the company president, "and the computer we get becomes obsolete before it's amortized. We'd be running fast just to stay where we are."

Here, however, the customer may be better off than he thinks. Burroughs' Jim Ford points out one reason. "It's the new programming language that is being developed," says Ford. "Since manufacturers are adapting their machines to it, the customer can look to repeated use of his program library, regardless of what piece of equipment he gets."

For the customer who remains dissatisfied with such reassurances, a word of advice comes from consultant Alan Negus, vice president of Naremco Services, Inc. By automating an office system piecemeal, Negus asserts, a company can be sure of cutting any possible obsolescence costs to the bone. Piecemeal installation, though, is desirable for an even more practical reason. "It rescues the customer," says Negus, "from being too busy chopping wood to stop and sharpen the axe. Obviously, no office can be shut down for three months, reorganized and then started up again with its new, streamlined system. You've got to do it bit by bit."

Piecemeal buying is one way of wading in without going over your head. Another way of getting acquainted with computer possibilities is to use a service bureau. "A lot of people not well versed in data processing," notes Gordon Smith of Remington Rand, "would be a lot happier if they had started with service bureau operations instead of purchasing whole systems outright."

The commonest reason for calling in a service bureau, of course, is that the customer's paperwork volume does not justify the outlay for a computer purchase. Undoubtedly, it is a handy and economical solution. Yet some experts warn against overdependence



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upon service centers, especially if a company plans to purchase its own computer some day.

When management farms out its data-processing problems, they point out, company personnel have no opportunities to learn vital programming techniques. They do, of course, have to define the information needs and do much of the preprogramming work. But this is very different from actually programming the equipment.

Accommodating the computer

For all its risks, then, the decision to buy a computer may be the most important step management can take to solve its paperwork dilemma. But that decision is inevitably followed by a host of new problems. Of these, none is more important than organization. For once a company acquires a computer, it must make changes in the line-of-command to accommodate the machine. Commonly, top management sets up a data processing department under the company controller. Or if the department is a large one, a vice president of data processing may be called for to head it up.

The extent of his authority varies, of course, from company to company. But, as consultant Charles H. Koenig of A. T. Kearney & Co. points out, his function is too important to be downgraded. Says Koenig: "Management must create, on a top level, some kind of function that will continually analyze the needs for information, the quality of that information and its impact on the company." This is the only sure way to protect an investment that, in years to come, may make the difference between success and failure where it means the most: on the profit and loss statement.

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TAKE A COPY— in seconds of any information you want in 8½ x 11 inch size. The "Filmac" Reader-Printer gives you an exact, clean copy.

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CURE THIS WITH P·A·X BUSINESS TELEPHONE SYSTEM

The ailment: Bigger outfit, more people, more squawk boxes. But the squawkers have outgrown their usefulness. Now the Braves can't talk to the Chiefs, the place is a bedlam, and everybody's back to walking.

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Save man-hours, manpower, and money—with P-A-X. With P-A-X, your people will simply dial and talk, instead of "squawking"! They'll save time and temper, using P-A-X to *get things done.* And your operator is free to give prompt, intelligent service to outside and toll calls. You won't lose business from callers who "can't wait."

Investigate P-A-X today. Write Director, P-A-X Sales, Automatic Electric Sales Corporation, Northlake, Ill.

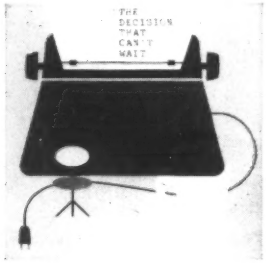
AUTOMATIC ELECTRIC

NORTHLAKE, ILLINOIS

It's the SECOND Telephone that marks the efficient executive!

III

Just what are the cold, hard facts about the savings in time and money from all that new office equipment? A few case histories tell the whole story.



It's the Results that Count

"NO matter how impressive or glamorous looking, no matter how many intangible benefits are claimed, no business machine or system should be bought," says Budd Sills, vice president of Spiegel, Inc., "if it doesn't pay off in money saved."

These days, few businessmen would argue with Sills. For any kind of investment, of course, the acid test must be its dollar payoff. Adding to that test, the statisticians of today can calculate down to the smallest penny the probable return (or savings) on a new chemical plant, an automated production line or a new distribution center.

But how do you judge the payoff on a collection of chairs, desks, typewriters, fluorescent lighting systems—or, perhaps, a $1 million computer? That has long been the problem for management. Whenever they get together, the men who buy those chairs and desks and computers tell story after story of buyers who went wrong.

Nevertheless, more than one businessman also has proved that office equipment could indeed do wondrous things for his business. When management has imagination, know-how, a willingness to scrap the old for the new—and when it knows what others have done—new office tools can revitalize an entire business.

An exaggerated statement? As the following DUN'S REVIEW case histories show, companies of all sizes have changed their entire complexions through the medium of those humble chairs and desks and those not-so-humble computers.

Seeing Eye Speeds Service

One day last spring, Frank P. Kosmach, president of Chicago's St. Paul Federal Savings and Loan Association, viewed the main floor of his bank with some mixed feelings. A long line of depositors stood at every teller's window. To Kosmach the sight was welcome evidence that his bank's business was growing. But how long would it be before customers, tired of waiting for attention, took their savings somewhere else?

The most obvious solution to the problem was: hire more tellers. But Kosmach's payroll was already high, and an apprentice teller takes nearly three expensive months to train.

Worse, tellers frequently had to check signatures and records in a back room of the bank. Trips to the record room averaged eight minutes, most of it in travel. Meanwhile, those lines grew.

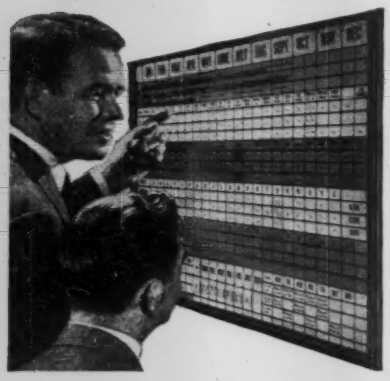
Clearly, Kosmach needed some kind of simple audio-visual communications system. After carefully looking over the field, he selected a combination of Dictograph intercoms and closed-circuit TV to cut out those wasted minutes of travel time.

As Kosmach found, though, the system does far more than that. Besides a master station connecting to the record and bookkeeping departments, tellers now have individual lines to each officer and can even call the reception desk in case a guard is needed to escort a customer to another department. If a customer should want a check instead of cash, any teller can now order one over another line to the check writer.

What about those trips to the signature file? Kosmach's answer is a small television monitor mounted on the counter of every third teller. To verify a signature, the teller buzzes the signature file on his intercom and asks for the correct signature card. Back in the records room, a clerk extracts the card and places it under a TV camera which transmits the image to the teller out front.

Still other TV monitors cover the

How To Get Things Done Better And Faster



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515 Bannock Street, Dayton 4, Ohio
*Trade Mark Garrison Machine Works, Inc., Pat'd. Pend.

QUICK CHECK of customers' signatures is no problem at this savings bank, where closed-circuit television links tellers (*top*) with records room (*below*).

officer's area to provide for remote checking of customer payment records. This is more than a time saver. Since those important documents never leave the record room, the system does away with the possibility of either losing or misplacing valuable records.

Even more important, though, is the new system's dramatic effect on customer service. "Our teller overtime dropped sharply," says Frank Kosmach, "but that's not half the story. We estimate that now we'll be able to handle 25% more customers without adding a single teller."

Neapco's Computerless Computing

"A data-processing system that can't tell management what's going on while it's going on," says Eugene Jenkins, "is a waste of stockholders' money."

Few executives would argue the point. That, they would agree, is what computers are for. But Jenkins, who is secretary-treasurer of Neapco Products, Inc., a 200-employee Pottstown, Pa. manufacturer, is not talking about the lightning-fast computer. His "speed system": nothing less than the homely, familiar McBee Keysort card.

For Neapco, the Keysort card solved a problem that plagues thou-

THE PLAIN FACTS ABOUT OFFICE COPIERS

HOW FAST ?
HOW GOOD ?
HOW MUCH ?

The plain fact is, just about any copier will do a job for you—IF. If you don't need copies in a hurry. If you're not too fussy about how they look. If you don't mind paying anywhere from 4¢ to 10¢ a copy.

But if things like speed and cost are important to you—and they *are* important if you make copies in any volume—then clearly your choice is a Bruning copier. The Bruning diazo method produces up to 800 copies an hour—clean, sharp prints—at a cost in materials of 1¢ each (for letter-size copies).

Comparison charts published by the office-equipment magazines rate the diazo method a clear first for speed and economy. The copymaking experts agree—architects, draftsmen, accountants—they use more Bruning machines than any other make.

Before *you* buy an office copier, wouldn't you like to see the point-by-point comparisons? Then write to Bruning for "The Plain Facts About Office Copiers." See for yourself—

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COMPTOGRAPH

sands of small manufacturers, particularly in job-shop operations. To enable his firm to submit competitive contract bids in a hurry, President Robert E. Jeffries needed to know his labor costs on any job to the penny. Obviously, any wait for the accounting department to produce them, and Neapco would be out of the running on those hotly contested bids.

The solution? A new labor-cost reporting system that is simplicity itself. Neapco prepares Ditto masters, the same size as Keysort labor tickets, for its entire line of universal joints and power take-off joints for vehicles and boats. On each master card goes such information as time per piece and cost per piece. When an order is ready for production, the appropriate masters are pulled and used to run off a series of labor tickets. In just one operation, documents are prepared and ready to record both payroll and labor costing.

Next, the cards are notched on a Keysort groover to speed future sorting. And for sorting, Neapco's office workers need only a long needle to pick out the cards with unnotched holes.

On the plant floor, the prepared cards are placed in a rack at the foreman's desk. Just a glance tells him what sort of production load he faces. As each worker comes in for his assignment, the foreman stamps "time out" on the card and hands it to him. When he finishes his job, the worker returns the card to the foreman, who stamps it with the finish time and the worker's identification number.

Back at the central office, the cards are run through a Royal McBee tabulating punch to produce a variety of labor, payroll and machine usage reports.

Down in the shop, foremen no longer need elaborate charts to tell

AT a glance, Neapco foreman can check progress of any production job.

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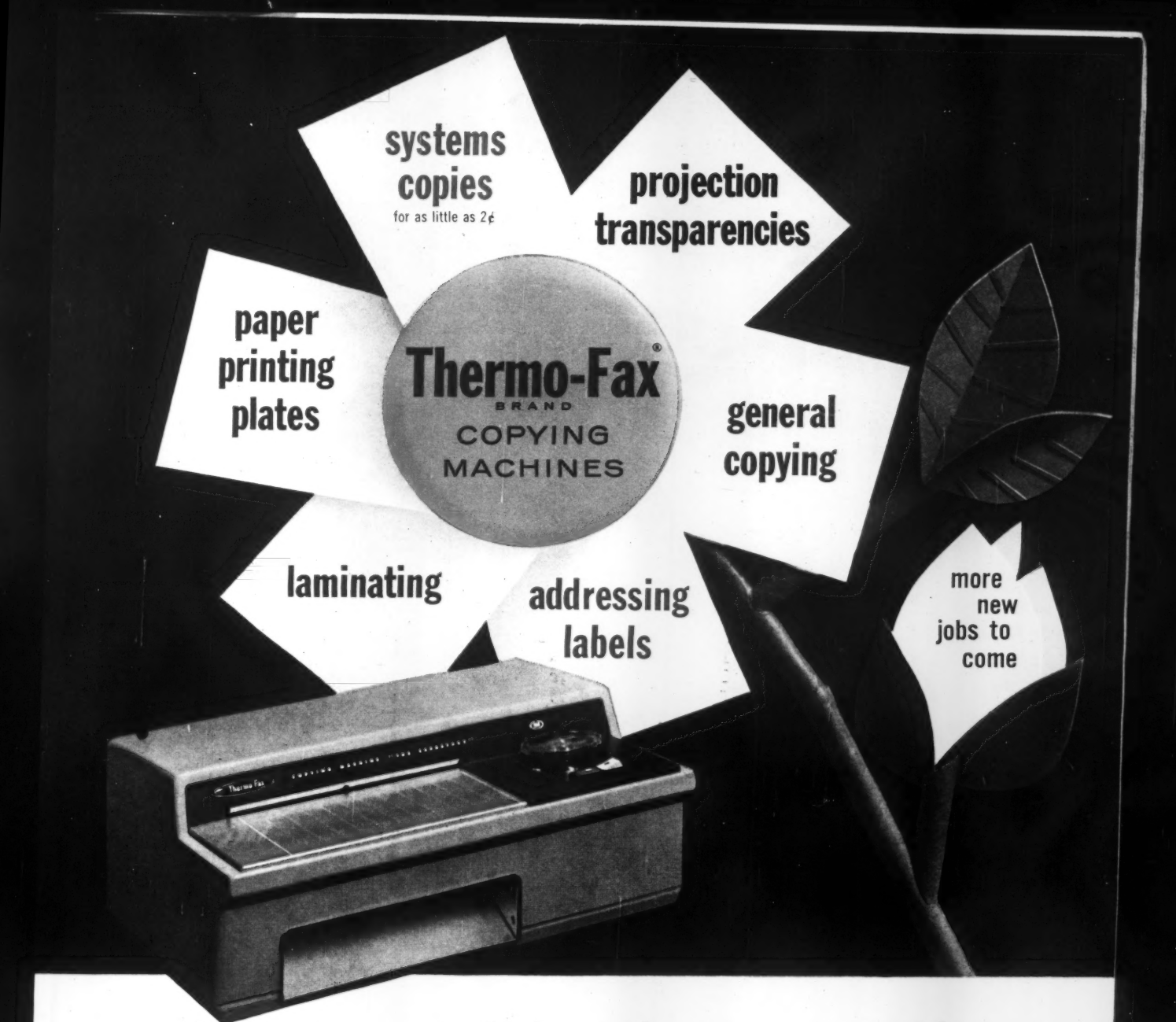

does more jobs than any other

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No other one business machine in the world does more jobs than the "Thermo-Fax" Brand Copying Machine . . . plus giving you WHITE copies, both standard and bond-weight. And so economical on every job, too! For example:

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. . . WHERE RESEARCH IS THE KEY TO TOMORROW

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Are you paying $5000 to $15,000 A YEAR TOO MUCH for this operation?

If you regularly address 5 or more cartons per shipment, you might be shocked to find out how much it is costing you to address your multiple shipments with antequated, repetitive methods.

The modern STEN-C-LABL* Systems PROVIDE A TWO-WAY SAVING

1 As a by-product of office procedure
Your present method of preparing your invoices, orders, bills of lading or shipping papers can also prepare STEN-C-LABLS *at the same time.* Whether you use manual or electric typewriters, electric billing or accounting machines, slave machines or various magnetic tape and punched IDP systems, there's a STEN-C-LABL to fit your requirements.

2 By making unlimited impressions direct to cartons, labels or tags
With handy squeeze-feed applicator, shipping department makes unlimited impressions direct to PANL-LABL printed on carton at no extra cost. Also addresses gummed labels and tags. Addressing is fast, neat, legible.

DURABLY MARKED AND PLAINLY LEGIBLE at handling distance. A STEN-C-LABL address is sunproof and waterproof—becomes permanent part of carton. Reproduction is sharp and easy to read at handling distance.

FREE BROCHURE gives full details.
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Yes, I'd like to know more about saving with STEN-C-LABLS.

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Also available in Canada.

them how production is moving. The cards in a given slot show how much work remains to be done on each order.

But the real proof of the system's effectiveness, as far as President Jeffries is concerned, came one Friday last spring when Neapco received an invitation to bid on a large order. Jeffries knew that the only other company bidding was so hungry for the contract it would shave its figure to the bone. To best their bid, he needed figures fast.

Under the old labor reporting system, he would have had to wait weeks for that crucial data. But Secretary-Treasurer Jenkins, working straight through the weekend with the Keysort cards, came up with the labor-cost figures bright and early on Monday morning.

Does Jeffries now hold a winning hand with his Keysort cards? "It may not be glamorous," says he, "and it certainly wasn't expensive. But it has taken the guesswork out of an awful lot of our management decisions."

How to Halve a Billing Cycle

Who runs the biggest credit card operation in the world under one roof? The answer is not American Express, Carte Blanche or The Diners' Club. The honor belongs to the American Oil Co. With more and more motorists taking to credit cards as well as the road, American's central credit office processes as many as 10 million invoices during each of the busy summer months. (Esso's and Texaco's credit business, just as voluminous, is split up among regional offices.)

One step on the gas was all it took to move Amoco into the Number One place. That happened when it became the coast-to-coast marketing affiliate of Standard Oil Co. (Indiana) and absorbed the credit-card operations of two other Indiana subsidiaries into one enormous organization.

Rolling three credit operations into one, on a scale so vast, might intimidate even the most experienced management. So careful was Amoco's planning and systems analysis, though, that the whole consolidation was accomplished without missing a single billing cycle. And even veteran credit executives sat up and took notice at the resulting efficiency.

At the core of this automated credit office is the optical scanner. Sorting as many as 10,800 charge tickets an hour each, four Farrington machines each do the work of eight manual key punchers. Added to that, the machines key-punch account numbers with far greater accuracy.

After the account number is punched and the amount of the sale

continued on page 77

TYPICAL MORNING'S mail at American Oil Co. brings a veritable mountain of credit invoices. To process them all will take just two shifts, sixteen hours.

All other corporate planes fly lower and slower. This is the Lockheed JetStar—the corporate-size jetliner: 500-550 mph cruise—up to 45,000 feet altitude, far above the weather. It will take you to a nearby city—or another hemisphere. Operates from more than 1,000 airports in the U. S. and Canada—hundreds more in South America and overseas. Four Pratt & Whitney pure jets provide power plus dependability. But you hear hardly more than a murmur, because the engines are located behind you, and so is the noise. Lockheed Aircraft Corporation, Georgia Division, Marietta, Georgia.

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● Compare this big, comfortable, fully-adjustable Cosco executive posture chair with others costing much more. You'll find it has everything! Cosco de luxe features include dual-contour molded foam rubber seat; foam-cushioned backrest, upholstered front and back; foam-cushioned armrests; quiet, long-wearing nylon bearings . . . *six comfort adjustments.* It's an imposing chair, enormously comfortable. And it's a greater value because all parts, except casters, are manufactured by Cosco, permitting precise quality control and greater economy for you. A free demonstration will prove that this solid Cosco chair is a solid value *for you.* Call your Cosco dealer now! *You'll find him listed under Office Furniture in yellow pages of phone book . . . or write for free color catalog.*

* Models 28-TA, 25-S and 27-LA are priced with all-Naugahyde upholstery. Zone 2: Texas & 11 western states.

HAMILTON COSCO, INC., Dept. DR-91, COLUMBUS, INDIANA

Model 28-STA as illustrated with combination upholstery . . . . . $72.95 ($76.95 in Zone 2)

Model 28-STA with all-Naugahyde upholstery, $67.95 ($71.95 in Zone 2)

Model 28-TA Executive Chair **$59.95*** ($63.95 in Zone 2)

Model 25-S Secretarial Chair **$42.95*** ($46.95 in Zone 2)

Model 27-LA Conference Chair **$39.95*** ($43.95 in Zone 2)

FAR FASTER than the human eye, these four Farrington optical scanners can each read and key-punch as many as 10,800 Amoco credit invoices in an hour.

continued from page 74

is checked and key-punched manually, the cards are fed into a computer. That way American Oil can now update customer balances every day, instead of the previous once a month. Equally important, the computer also quickly spots the driver who has let his credit run too high.

Thanks to the new system, Amoco has slashed its billing cycle in half. And with more than 2.5 million credit accounts in its files, that spells quite a saving in tied-up cash.

The exact amount Amoco prefers to keep to itself, but the savings obviously are large for a company which has been battling to lower its costs. The rental fees on these reading machines, for example, come to $60,000 more annually than the 36 key punches they would replace. But with those four machines at his command, one man per shift now does the work of 35 key punchers—a net saving of well over $200,000 a year.

Martin and the Magic Cartridge

"Our engineers and purchasing agents had to waste hours searching for product information," says George C. Smith, general manager of The Martin Co's Denver, Colo. division. "We decided that something had to be done about it." But what? How could an engineer or purchasing agent pick the right data without spending hours going through shelf after shelf of product catalogs, each of them bulging with component specifications from hundreds of manufacturers?

Martin's solution: the VSMF (Vendor Specs Microfilm File) system, developed by Information Handling Services, Inc. of Denver.

Ingenious though it may be, there is nothing at all esoteric about the VSMF system. Component manufacturers supply Information Handling Service with sample pages from their catalogs, and the company then microfilms them for a nominal charge. After that, IHS sorts the catalog pages by product or product family, puts them together on a single long strip of microfilm. Each strip, containing up to 2,500 pages, fits into a cartridge the size of a deck of cards. Cartridges, together with a viewer made by Eastman Kodak's subsidiary Recordak, are then supplied to IHS subscriber companies. Every four months, the cartridge file is updated.

A Martin engineer seeking product information now simply selects the appropriate cartridge from a rack, slips it into a viewer and rapidly cranks away until he comes to the

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Please send my free memo pad and information on the Conqueror Spirit Duplicator. I understand there is no obligation.

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FIRM_____
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CITY_____ ZONE___ STATE_____

EXECUTIVE DANGER ZONE

When is an executive worth a better office?

Upper income surveys indicate that large percentages of staff and line management operate in substandard executive environment.

A simple working formula is that a better office is due an executive:

(1) When his working surroundings lower his position of prestige and leadership with employees affected by his decisions.

(2) When executive confidence is affected. Self-assurance, sometimes the final element in good or bad decisions can be weakened by an atmosphere of conflicting values.

Do your salaries call for more appearance effort?

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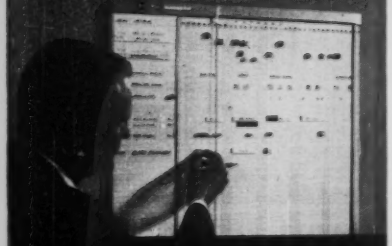

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P. O. Box 291 • Mill Valley, California

page he wants. For a copy of the page, he merely pushes a button and receives a microfilmed reproduction.

The cost? Surprisingly, the system is relatively cheap. The viewer and a file of 36 cartridges containing 60,000 catalog pages and 23,000 military standards costs Martin between $3,000 and $4,000 a year.

And even if the cost of the VSMF system were far higher, Martin executives feel it would be well worth it. Its savings in hundreds of high-paid engineers' time are considerable.

Speed Plus Accuracy— Minus People

In keeping their shelves stocked to customers' tastes, bars and package stores have one big headache: inventory. With scores of brands to stock, few liquor retailers can afford to keep large supplies of all of them on hand. Yet they can hardly afford not to have a customer's brand.

By filling that difficult need, the Fred A. Beck Co. built up the largest wholesale liquor distributing business ($10 million annually) in the state of Indiana. Lately, however, General Manager Richard Maguire had noted errors creeping into the orders that Beck's out-of-town salesmen telephoned in.

Like many another businessman before him, Maguire found that versatile office standby, the dictating machine, could provide an effective answer to his problem. Instead of four order takers, one girl now acts as monitor for four Edison Voicewriters with telephone attachments. When a salesman calls in, he is immediately switched to a machine, which records his order. The recorded discs are played back while clerks select prepunched cards for further processing by an IBM 402.

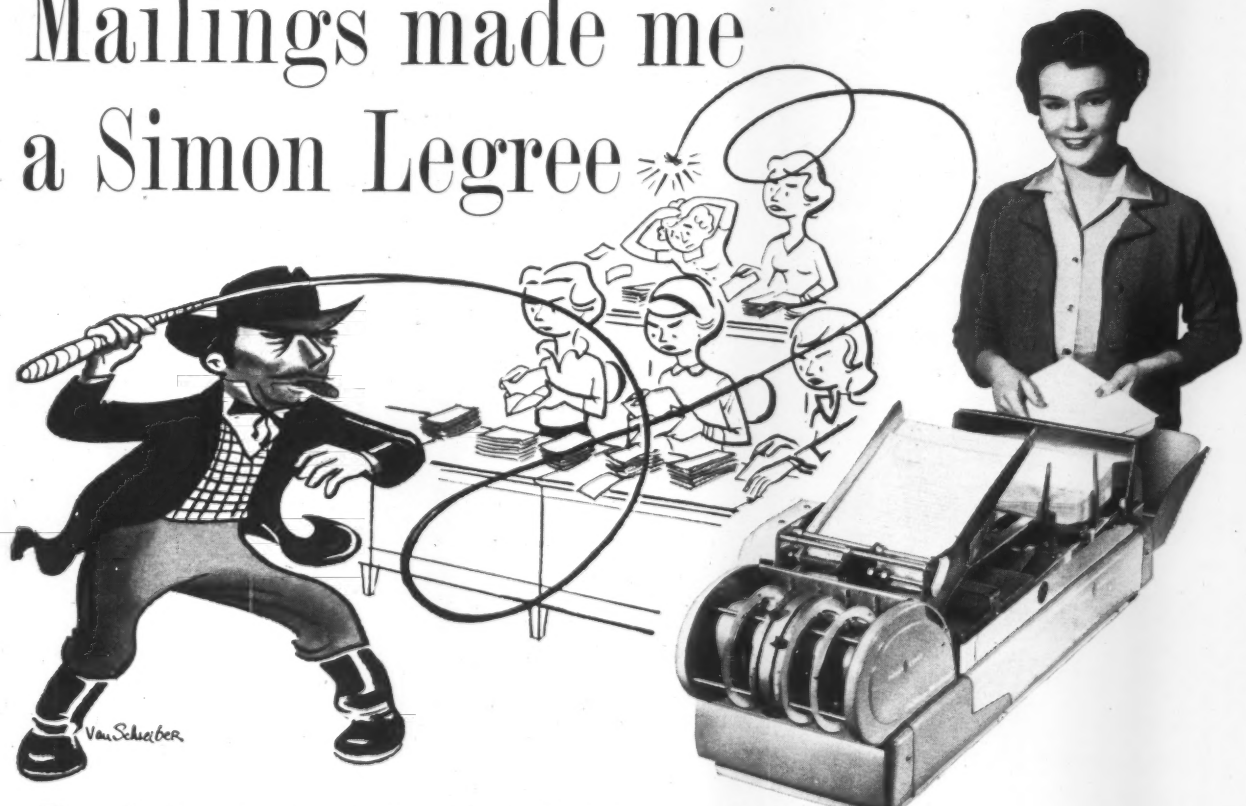
Along with cutting errors sharply and speeding up delivery, the new system has saved Beck a kegful of cash. For example, he has been able to reassign three order takers and one checker for an annual saving in salaries alone of $12,400. Too, telephone bills are down by $2,000 a year, a not inconsiderable saving for a company the size of Beck.

Even better, those phone bills are likely to remain low. "Under our old system," say Dick Maguire, "salesmen calling in used to shoot the breeze with our order takers. Now there's none of that—you just can't gossip with a machine. And if morale has suffered, the customers are far more satisfied."

Special report continued on page 81

PLAYBACK of salesmen's telephoned orders directs clerks pulling IBM cards at Fred A. Beck Co. Result: fewer errors, no need for writing down orders.

Mailings made me a Simon Legree



We mail out statements every month — and what a king size headache that used to be. Upset the whole place! I had to raid the steno pool, dragoon bookkeepers into folding and stuffing. The girls didn't like it — or me! Sometimes the customers squawked because they got somebody else's bill.

Then a Pitney-Bowes man told me all about their little folder and inserter. Oh, happy day! With the Model 3300-FH, statement mailings take one girl two days. Office morale is up. My stock is up, too!

Folding and inserting by hand are out of place in any modern office—too slow, too costly at today's salary scales. The table model 3300-FH can fold and stuff into envelopes 500 single sheet enclosures in eight minutes. A double detector assures accuracy. It's faster, more accurate, and a lot cheaper than handwork. It costs little, takes up little space. It's easy to set, can be run by anybody. The inserter unit can be used by itself, or with any PB folding machine.

It's an enormous work and time saver in mailing statements, bulletins, price lists, cards, stapled sheets, even daily correspondence. Helps avoid overtime, borrowing girls, work interruption, and hiring temporary workers. It makes mailings easier to schedule, and mail.

The 3300-FH soon pays for itself, in even a small office. Ask any Pitney-Bowes office for a free demonstration. Or send coupon for illustrated booklet and case studies.

FREE: *Handy desk or wall chart of latest postal rates, with parcel post map and zone finder.*

The larger 3100 Inserter can stuff as many as six enclosures, at speeds up to 6,000 envelopes an hour. And can be attached to a PB postage meter machine to stamp and seal the stuffed envelopes.

Pitney-Bowes
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Made by the originator of the postage meter . . . 149 offices in the U.S. and Canada, with nationwide service coast to coast.

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1574 Crosby St., Stamford, Conn.

Send free ☐ illustrated booklet and "case studies" on PB Folding and Inserting Machines; ☐ Postal Rate Chart.

Name _____

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Advertiser: U-Haul
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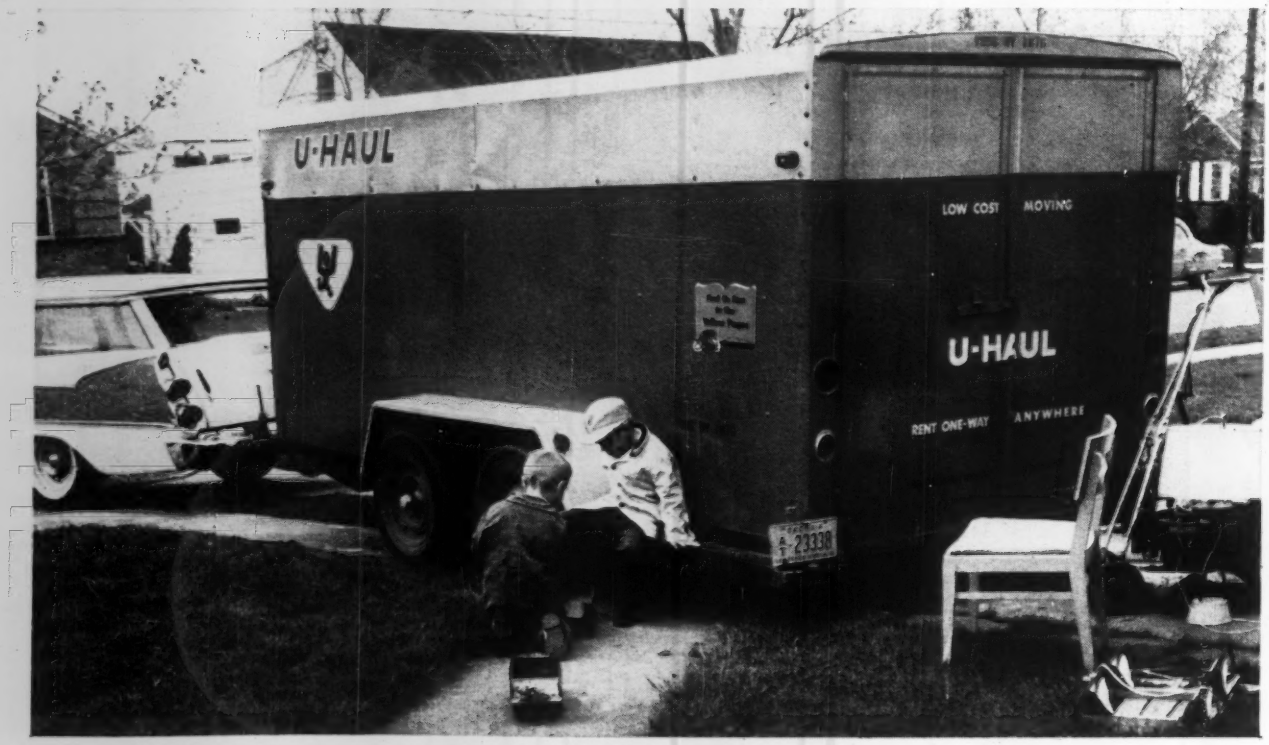
Result: 35% business increase a year!

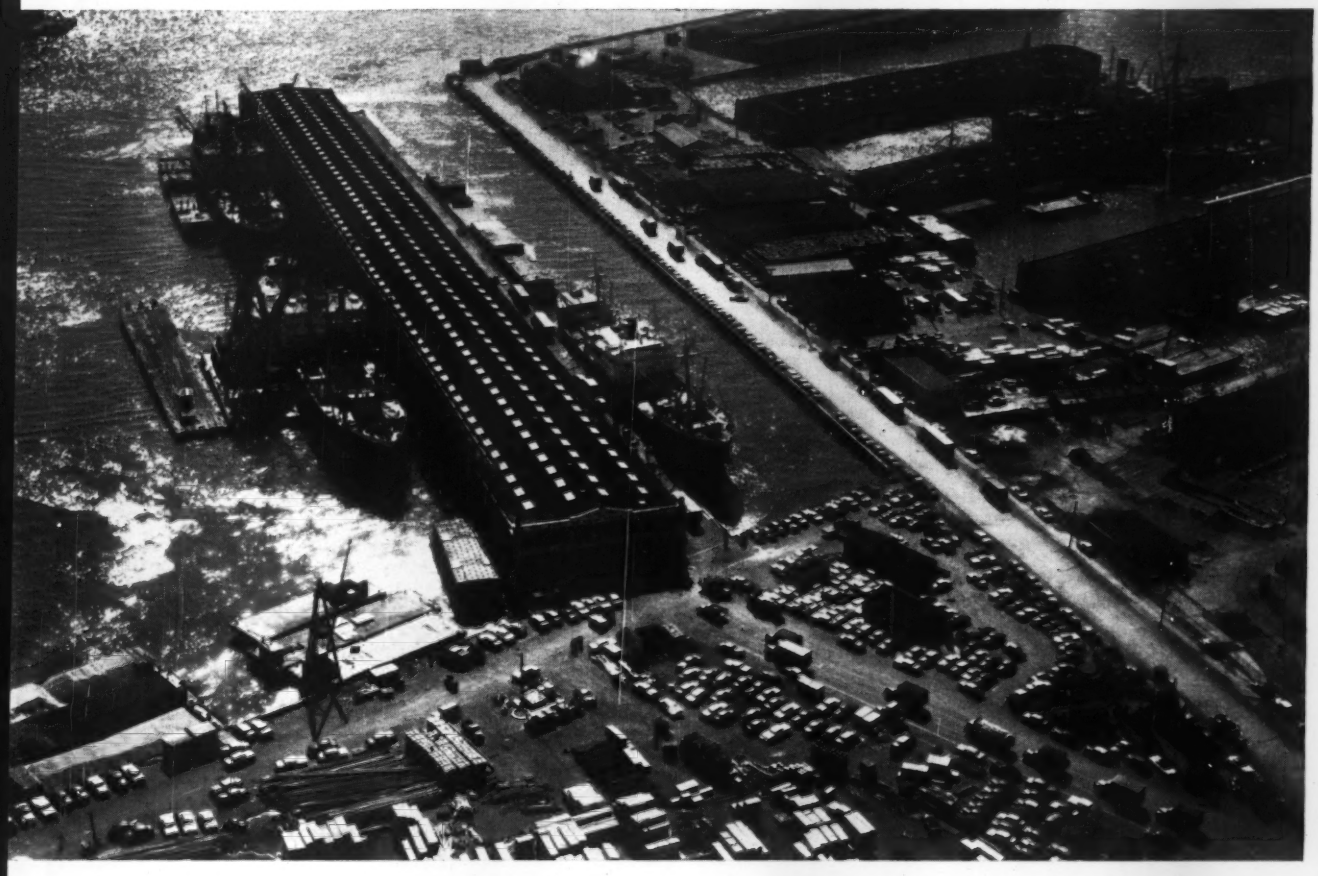


ADS IN 2100 YELLOW PAGES DIRECTORIES HELP U-HAUL INCREASE BUSINESS 35% A YEAR! With this kind of success, it's easy to see why most of U-Haul's advertising appropriation goes to the Yellow Pages! For twelve years, U-Haul has been reaching and *selling* its prime market (the people who are ready to move by rental trailer) with Yellow Pages advertising. And now, National Yellow Pages Service makes the selling easier than ever. For now, U-Haul purchases its ads in 2100 different directories—all with one contact, one contract, one monthly bill!

"No ads—no calls," says D. Swanson (left), Ad Mgr. of Arcoa, Inc., control center for U-Haul. "Again and again, dealers tell us how many calls result from U-Haul ads in the Yellow Pages."
"Streamlined setup," says J. Ashbaugh (right), V. P., Botsford, Constantine & Gardner, U-Haul's ad agency. "We now arrange U-Haul's entire Yellow Pages program through one local telephone office with new ease!"

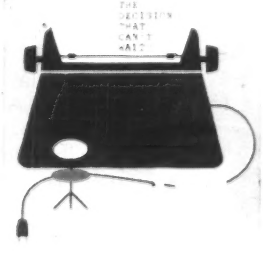
Maximum flexibility. U-Haul buys Yellow Pages ads of all these different sizes to fill different requirements in different markets. All with 1 contact, 1 contract, 1 monthly bill. See how this flexible advertising service can work for *your* product or service. Call your National Yellow Pages Service representative at your Bell Telephone Business Office.

ONE CONTACT/ONE CONTRACT
ONE MONTHLY BILL



IV

Imports of foreign business machines are growing fast. Can American manufacturers hope to stop the threatening flood—or at least stem the tide?



The Invasion from Abroad

THERE is a new look in the American office: the increasing number of foreign trademarks on its equipment. If the electric typewriter is almost certainly U.S.-made, the adding machine is just as likely to be Swedish, the dictation equipment Belgian, or Dutch, the duplicating machine Danish, the calculator Italian.

What is behind this invasion? Quality products and imaginative selling, say the foreign manufacturers. Cut-rate prices, and low-wage, low-cost production, charge the Americans who have been hurt most by the new competition.

For many U.S. companies, the invasion has become a double-edged sword. They see the foreign equipment makers cutting into their markets in the U.S., and they can hardly like what they see. Yet they, themselves, are putting more and more push behind their own invasion of international markets. They know that if they try to force out the Europeans and Japanese here, they will be paid

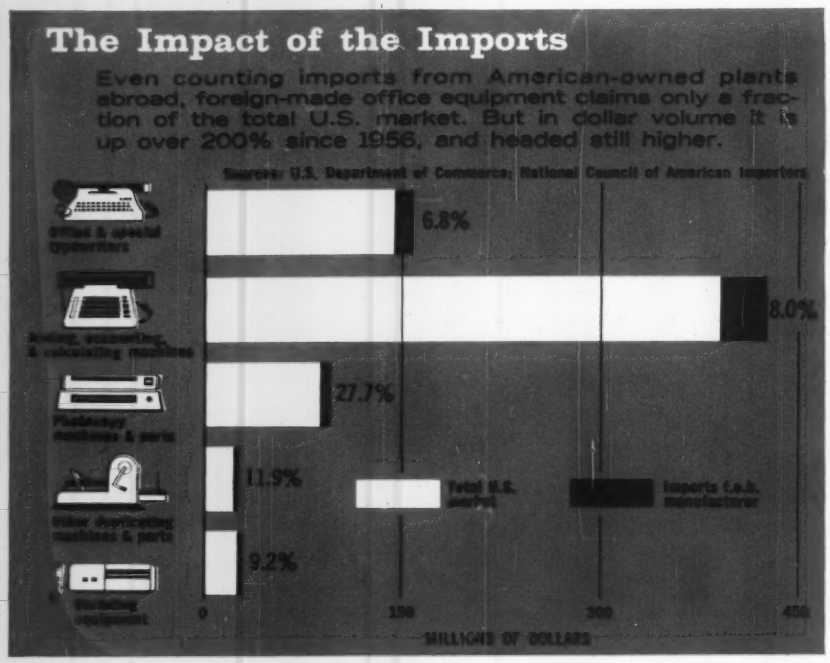
back in kind on their competitors' home ground. And that is an eventuality they cannot risk.

Even the most profitable of U.S. companies should be worrying about what the foreigners can do to domestic business. Take Pitney-Bowes, for example. For nearly forty years it has reigned in solitary splendor over the U.S. postal meter business. Now it must brace itself for challenges from both Friden and Fairchild Camera & Instrument Corp. Still, their meters are only in the development stage. On the market already, with a stamp of approval from the U.S. Post Office, is a lightweight contender from overseas—the German-made Postalia.

Pitney-Bowes' President Harry M. Nordberg is nonetheless determined to look on the bright side. "We're delighted," says Nordberg, "to have them here. We figure that their advertising and promotion will expand the market even faster—and that market will be big enough, believe me."

Granted that the entire office machine market, now growing at a rate of close to 12% a year, will keep expanding. But will it really expand enough to absorb the increasing amount of foreign equipment?

A minuscule $28.6 million five years ago, office machine imports hit $45.6 million in 1958, by last year had gone another 102.9% higher to $91.6 million. Moreover, even though that figure is less than half the dollar value of U.S. business equipment sales in Western Europe alone, dollar volume may nonetheless be deceptive. For one thing, say some Americans, it is a better indication of low foreign costs than of units sold. For another, even though imports claim only 10% of the U.S. market, it is a market where the competition is already rough.


The Impact of the Imports
Even counting imports from American-owned plants abroad, foreign-made office equipment claims only a fraction of the total U.S. market. But in dollar volume it is up over 200% since 1956, and headed still higher.
Sources: U.S. Department of Commerce; National Council of American Importers
6.8%
8.0%
27.1%
11.9%
9.2%
Total U.S. market
Imports f.a.s. manufacturer
0
150
300
450
MILLIONS OF DOLLARS

And in their fight for more U.S. customers, foreign equipment makers, like the American companies that bring in their products, can count on support from one surprising quarter; the nearly 4,000 independent business machines dealers scattered across the nation.

Behind that enthusiasm is the story of how European business equipment makers entered the American market in the first place—with the last product anyone would expect to see in an office: a portable typewriter.

With it, German, Italian, Swiss and Swedish typewriter manufacturers gave the small U.S. equipment dealer a cheap, well-honed weapon with which to hit back at domestic suppliers. And at that point he was itching for revenge. The American machine makers had been opening more and more branch offices and sales agencies to compete with his business.

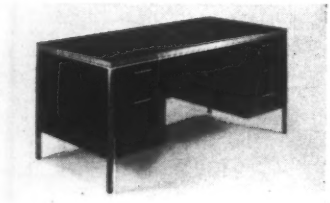
To make matters worse, the small dealer had no sooner got himself armed than he was undercut again. For as the war of the portables waxed keen, similar U.S. label machines went up for sale at cut prices in discount houses, drugstores and even five-and-ten-cent stores.

Shrewd European manufacturers, on the other hand, refused to supply these new competitors. And just how that move paid off became apparent last year, when two U.S. typewriter companies—Royal-McBee Corp. and

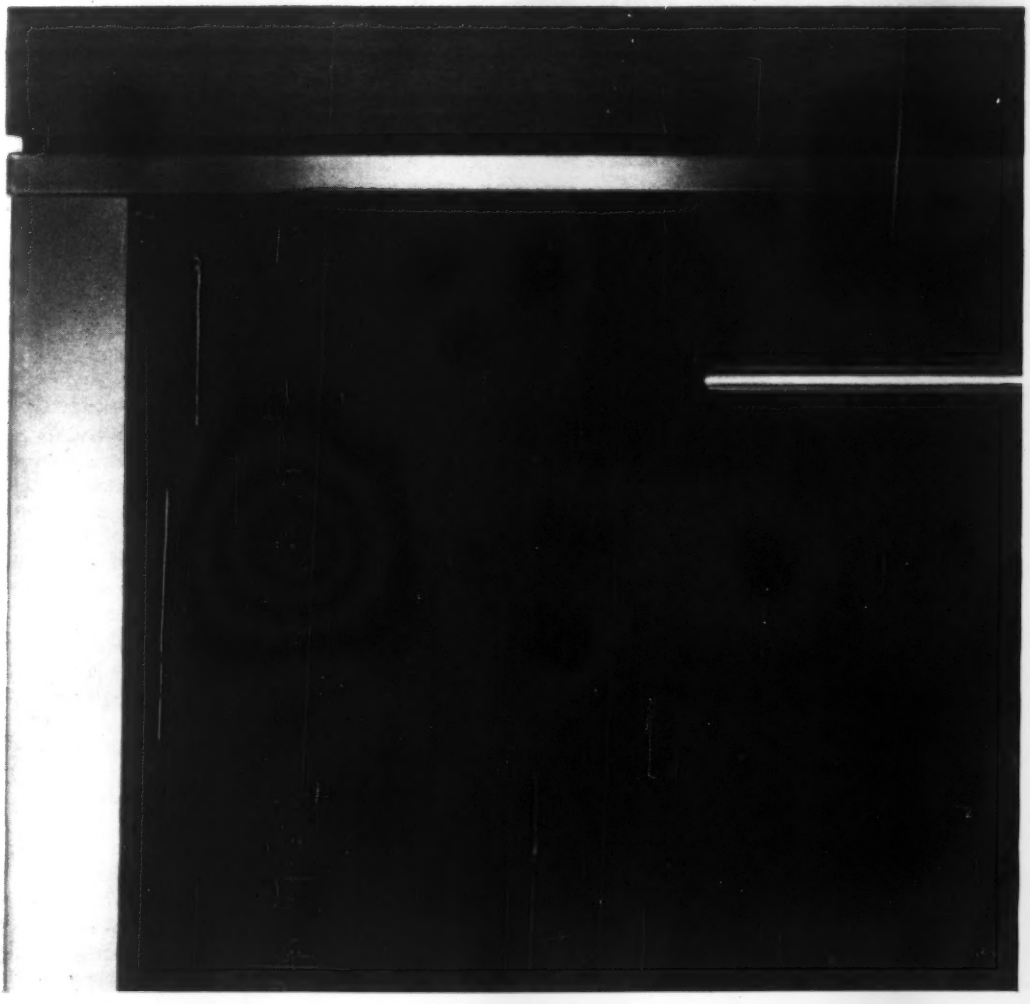
IN CALCUTTA, as in Kansas, the office has gone international. Here, an Indian clerk uses IBM equipment; in the U.S., the machines could be European.

UPDATE YOUR OFFICE IMAGE WITH DORIC

In your office setting, visitors tend to see a reflection of your business personality. Your own people, too, are influenced for better or worse by the working environment. For an up-to-date image of good taste and sound judgment, choose the clean, classic look of DORIC Office Furniture . . . *better by design*. Sensible pricing puts DORIC quality and styling within reach of modest modernizing budgets. For complete details, check the dealer listed in your yellow pages or write to: Corry Jamestown Corporation, Department DR-91, Corry, Pennsylvania.



CORRY JAMESTOWN



DOES YOUR
BUSINESS CARD
HAVE ALL
18 VITAL
ELEMENTS ?

FREE CHART *tells you*

A good business card — one that **really** sells and influences, should be right in 18 specific ways. In the Hill "Card Kit" there is a handy check list that spells out the 18 elements **vital** to business cards. In two minutes flat, you can find out if your business cards are really doing a job for your company. If you use 5,000 or more cards a year, we'll be glad to send a copy Here's what to do:

1. **Write on the back of your card how many your company uses a year.**
2. **Send us your card .**

Dept. D-81

R.O.H. HILL, INC.

270 Lafayette Street, New York 12, N.Y.
HILL . . . For the Finest Impression

RECORD STORAGE
At Lowest Unit Cost

For Inactive Records

Provide maximum protection at minimum cost. Highest grade corrugated fibre-board. All one piece —no parts to wear, get out of order. Single eyelet closure front and back provides quick, easy closing and opening—and absolute security. Labels factory applied, gummed titling strips with each box. 25 sizes. Sold by all leading stationers.

Send for **FREE** Manual of Record Storage Practice; complete products catalog. Clip ad to letterhead and mail to: **Dept. DR-9**

BANKERS BOX COMPANY
Record Storage Specialists Since 1918
2607 N. 25th Ave., Franklin Park, Ill.

What Made Invasion Possible?

Why did the full-fledged invasion of foreign office equipment succeed? Here is the opinion of Underwood's Italian-trained President Ugo Galassi.

For one thing, the Europeans were able to adapt to surprisingly backward American ways. "The U.S. customer," says Galassi, "is very conservative. That seems strange to us—we expect Americans to have an open mind—but we haven't let it throw us off balance. For example, Europeans gave up the full-keyboard accounting machine years ago. We had to wait for the ten-key machine to catch on here—but it finally happened."

Such advanced machines gave the Europeans their foothold in the U.S. "It is my guess, and it is only a guess," Galassi continues, "that American manufacturers were merely revising old models after the war, not designing new ones. So the foreign competition proved very strong in terms of product, because Europeans make machines that can do more things."

Does this mean, then, that the U.S. industry can never catch up? Not at all. "The U.S.," notes Galassi, "is far ahead in electronic data processing and integration. Here, the big customers determine the 'feel' of the industry."

Yet this advantage in electronics is a mixed blessing. For it still leaves the small customer—the businessman who has the same paperwork problems but can't afford the same equipment—open to foreign lures.

Can the invasion be stemmed? "Yes," says Galassi emphatically. "If U.S. manufacturers start stressing the kind of performance that Europeans do, few foreign companies can get inside the U.S. in the future. It is just too hard to organize sales from overseas."

Smith-Corona Marchant—asked the Government to set a tariff on imported typewriters. Both companies could point to the example of other nations, for alone among typewriter producing countries, the U.S. offers no protection to this domestic industry. Too, they could cite some awesome statistics: imports, which ran to 31,000 machines in 1952, sped faster than a typist's fingers to reach a lofty 608,923 last year, with only about one fifth of that total manufactured in U.S.-owned plants abroad.

But such arguments, they discovered, carried little weight with the U.S. Tariff Commission. Instead, the small dealers who flocked to Washington in protest carried the day. The result: there is still no tariff on typewriters. And, even more significantly, the long-memoried dealers now carry a lot more European-made products besides typewriters: From West Germany alone, biggest of the U.S. offices' overseas suppliers, come at least 25 different types of business equipment, ranging from pencil sharpeners to calculators.

Nor do the foreign manufacturers have to rely on low prices to make sales these days. To be sure, in two lines many of the foreign machines sell below standard U.S. prices: at a top of $300, European-made dictating equipment retails at $30 to $155 less than its American counterparts, and the range for ten-key adding machines also hits a bottom far below the lowest retail price of U.S.-made equipment.

With these exceptions, however, the cheap-foreign-labor, low-price argument no longer holds water. "Our policy," says Gerhart Hirsch, sales manager for Germany's Olympia typewriters, "is *not* to undersell. If anything," he adds, "because of higher costs and the higher standard of living in Europe, there's more likelihood of increases."

Yet if Olympia, edging out Italy's Olivetti and Switzerland's Hermes as the fastest-selling foreign typewriter, is confident of holding onto customers, it is still true that newcomers to the U.S. often founder. Behind their failure: lack of money to hold on long enough, the difficulties of a long-distance dealer relationship, inadequate advertising, the American purchasing agent's worry about parts over the long run.

Service, too, is where many a foreign company meets its Dunkirk, if not its Waterloo. Says importing Copease Corp.'s President Charles E. Hallenborg: "Any importer who

Up to 10,700 letter-size documents fit on a single 100-ft. roll of 16mm Recordak microfilm

New Recordak concept speeds branch-home office communications...cuts record-handling costs!

Just take pictures of branch office records with a RECORDAK Microfilmer—get photographically accurate copies of up to 500 items a minute. Then send the compact roll of microfilm—instead of the bulky paper records—to the home office.

That, basically, is the Recordak Reporting System. Now, look at the twofold savings it offers all types of business.

In branch offices this new system ends need for many costly accounting and recording routines. Let's say it used to take a minute to transcribe data from one record. Now, you can make photographically accurate and *complete* copies of up to 500 documents in the same time. This ends accounting tie-ups . . . frees active records for other uses at once. Not to be overlooked, either, are the savings in postage. A full reel of Recordak Microfilm, with copies of 10,700 letter-size pages, weighs only a bit over 5 ozs.

In the home office, vital information from branches is on hand days—sometimes weeks—sooner. And there are no transcription errors on these records to slow things up.

Branch records are checked—or tab cards key punched—from film images enlarged in a RECORDAK Film Reader. Experience shows that operators can key punch from film records two to three times faster than from paper forms. *And with greater accuracy.*

Microfilm Reporting is only one of the ways Recordak microfilming brings greater efficiency and economy to record handling. Write for details.

MAIL COUPON TODAY

RECORDAK CORPORATION HH-9
415 Madison Ave., New York 17, N.Y.

Please send details on Recordak microfilming in communications.

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Company_____

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RECORDAK®

(Subsidiary of Eastman Kodak Company)

originator of modern microfilming—*now in its 34th year*

IN CANADA contact Recordak of Canada Ltd., Toronto

Here's the place to house those active records!

ROL•DEX record housing provides the needed features:

SPEED—Quick access—all records are immediately available—records roll to the clerk (seated, of course)—no waiting for hidden, motor-driven trays to come into place. And random reference is no problem.

EFFICIENCY—Rol•Dex can easily be organized into work centers that may include machines and all tools needed for an automated system. Provides better control, too.

ECONOMY—Great capacity that can be handled by fewer personnel because of speed of reference. Floor space is also saved in most cases and supervision is easier.

find out about all the advantages of Rol-Dex equipment. It's built to fit your system, your form size, your volume, your space, your expansion plans.

Rol-Dex Division

ROL-DEX

pat. and pats. pending

WATSON MANUFACTURING COMPANY, Inc.
Jamestown, New York

WATSON MANUFACTURING COMPANY, INC.
Rol-Dex Division, Dept. D-9 Jamestown, New York

☐ Please send literature.

☐ Have consultant call me for appointment ..... (phone)

Name ..... Title .....

Firm .....

Street .....

City ..... State .....

doesn't offer spare parts and good service needs a psychiatrist."

The big distributors like Copease are, of course, eminently sane. Addo-X's President N. Gosta Arnheim can point to an inventory of parts for Swedish adding machines made back in 1936. And so all-important is a smooth-geared service organization in European eyes that even now Compagnie des Machines Bull, France's big computer and punch-card manufacturer, is reputedly holding back from full-fledged entry into the U.S. until it has one.

Whatever the obstacles, though, there is little question that the foreigners often show shrewd knowledge of what the U.S. customer needs. Take some of the latest examples, all unavailable from American manufacturers: a Danish electric calculator no bigger than a telephone; a French wet-process photocopy machine that turns out dry prints, even of glossy photographs; a Swedish electric typewriter with a unique "memory" device; a British copier that reproduces on glass and metal as well as paper.

A new competitor?

And even though no plans for U.S. sales have been announced, American equipment makers had good cause to draw up short at the Tokyo International Trade Fair this summer. For before them, in a country which has still to make a dent in the office market, was a tiny $2,700 electronic data processor, something that could provide real competition if it reaches American shores.

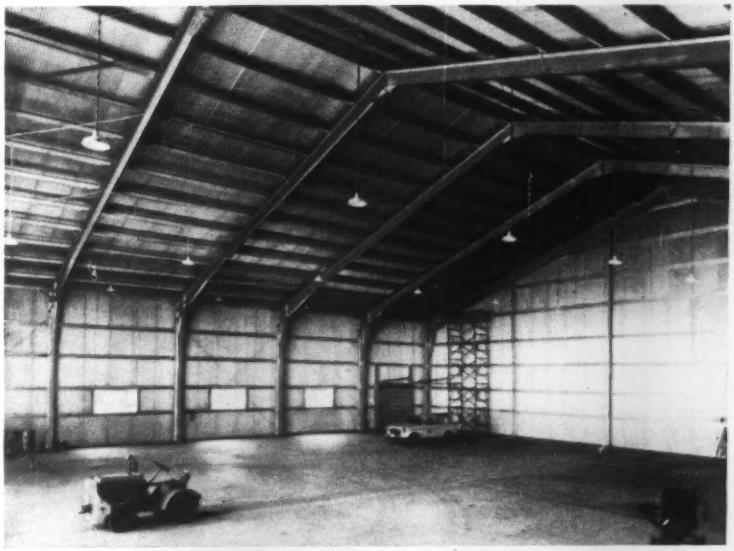
So far, however, the Japanese have kept pretty much out of the business machines market for one simple reason: in a tradition-rich country, the Japanese office is a stronghold of ancient ways, where the adding machine is only now beginning to replace the abacus.

It looks now, though, as if Japanese tradition will be yielding once more before those highly developed trading instincts. Transistors and semiconductors from Japan are already vital components of many American-made machines. The first representative of Nippon's embryo computer industry, Hitachi, Ltd., recently opened a New York office. And Thompson Ramo Wooldridge has just signed a contract to distribute a new Japanese dictating machine that uses paper instead of tape, and which thus allows the user to record

For strength, versatility, beauty, economy

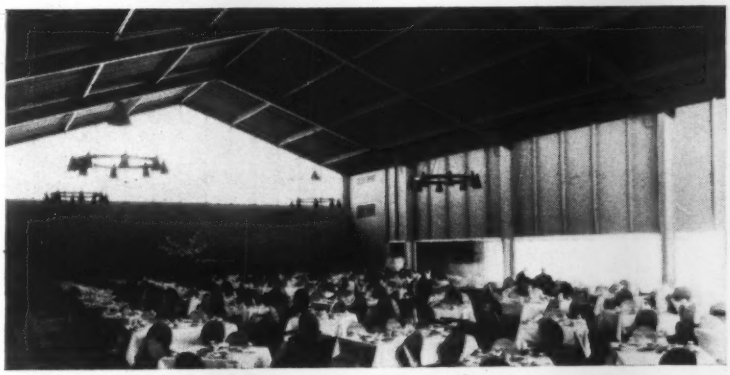
high

All three building interiors on this page have something notable in common—there are no posts or columns to waste valuable floor space. These steel buildings are clearspan constructed with the supports built right into the walls. Steel frames with walls and roofs of galvanized steel sheets make buildings that are durable, strong, and safe for years to come—important factors when considering insurance, financing, fire or storm damage.



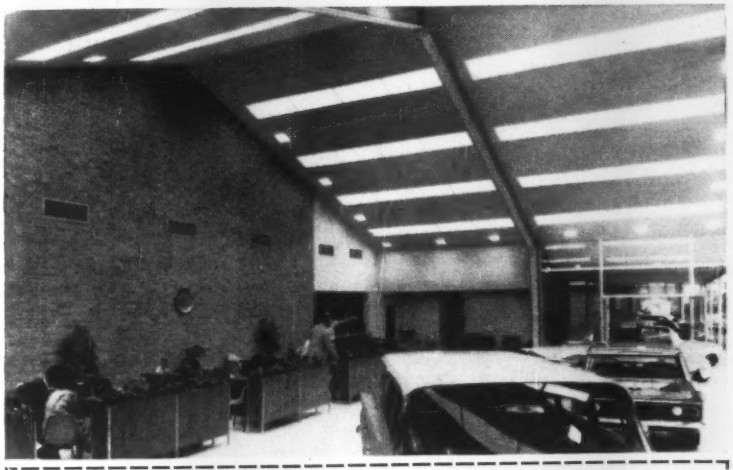
wide-open

It takes practically no time at all to erect a factory-built steel building, because the parts are pre-engineered by the manufacturer and then shipped to the site ready to erect. So, a steel building saves construction time and costs. Saves maintenance, too! When you need more room, it can be easily expanded, and you can use factory-painted steel sheets, or other materials as accents to suit your esthetic fancy.



United States Steel does not make factory-built steel buildings but supplies a complete line of quality steel products to independent fabricators of pre-engineered buildings. For strength and permanence, look for these USS Steels: framing materials—structural and plate, carbon bars and bar sections, high strength steels; roofing and siding—StormSeal, Tenneseal, 5-V Crimp, corrugated and flat galvanized steel sheets.

and handsome



Next time you need a new building—one that's functional *and* good-looking—make it *steel.* For information about the many styles, sizes and colors, send the coupon. USS, StormSeal and Tenneseal are registered trademarks.

United States Steel

United States Steel Corporation
Room 6367, 525 William Penn Place
Pittsburgh 30, Pennsylvania

Please send me information about factory-built steel buildings for the following uses: _____

Name _____

Company _____

Address _____

City _____ Zone ____ State _____

United States Steel does not make factory-built steel buildings. Your request for information will be forwarded to independent steel building manufacturers.

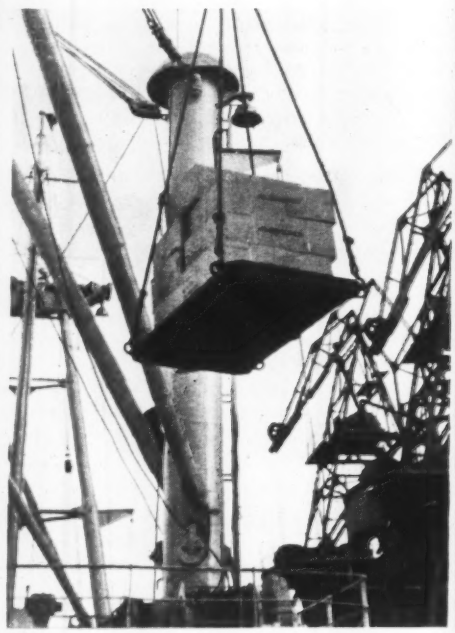
notes and drawings as well as voice.

Still, whatever the innovations they have to offer, getting their products around in the U.S. is going to be just as much a problem for the Japanese as it has been for the Europeans. For there are thousands of outlets in the office equipment field, and finding the right one for each product is like rewiring a computer without knowing electronics.

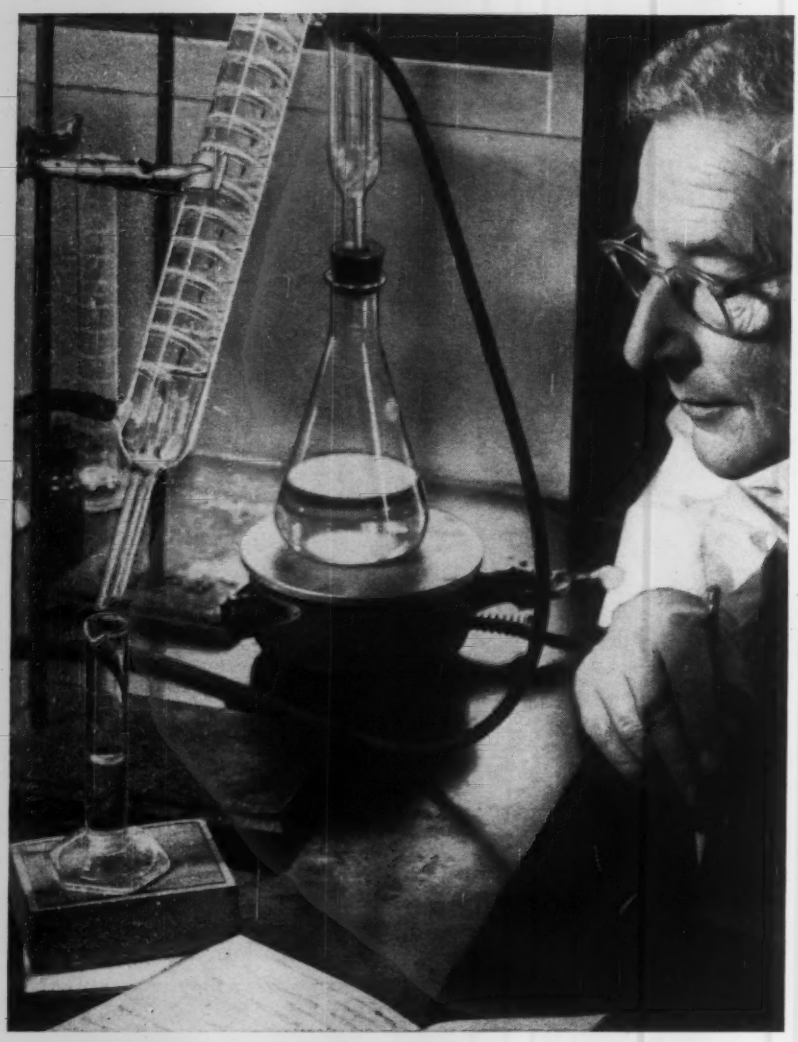
How then do foreign products make their way in the U.S., as so many of them obviously do? Most, of course, come through established importers who know the ropes. Some are brought in by American companies with plants overseas—Burroughs Corp., to name but one, now imports calculating and billing machines from its own factories in France, Canada and Scotland.

Still other equipment is bought directly by the customer from a foreign manufacturer. Right now, for instance, the mail-order house of Spiegel, Inc. is installing $1.5 million worth of order-writing machinery from Ferranti-Packard Electric Ltd. of Canada.

Spiegel's President Modie J. Spiegel makes no secret of why he went north for the new equipment. "The reason," says Spiegel, "is clear. After a long, thorough survey of all available sources, we found in Ferranti-Packard a talented engineering group



A BIG seller in the U.S. already, Swedish calculator sales keep growing.



He's looking at tomorrow's spirit fluid

MORE and more, spirit duplicating is called upon to provide the answers to office automation through business systems applications. New duplicators, new masters created to meet these new demands depend heavily upon spirit fluids—literally the life blood of hectograph duplicating.

Columbia—long a leader in research and development of carbon papers, ribbons, duplicating plates and supplies—maintains a continuous scientific probing to assure you the finest products available. Based upon this record of achievement, Columbia research and development will continue to lead the field in the formulation of business writing supplies of the future. For information on how Columbia products may help you, contact the Columbia representative nearest you or write: Hectograph Division, Columbia Ribbon & Carbon Mfg. Co., Inc., 111 Herb Hill Road, Glen Cove, N.Y., or Columbia Ribbon & Carbon Pacific, Inc., Duarte, Calif.

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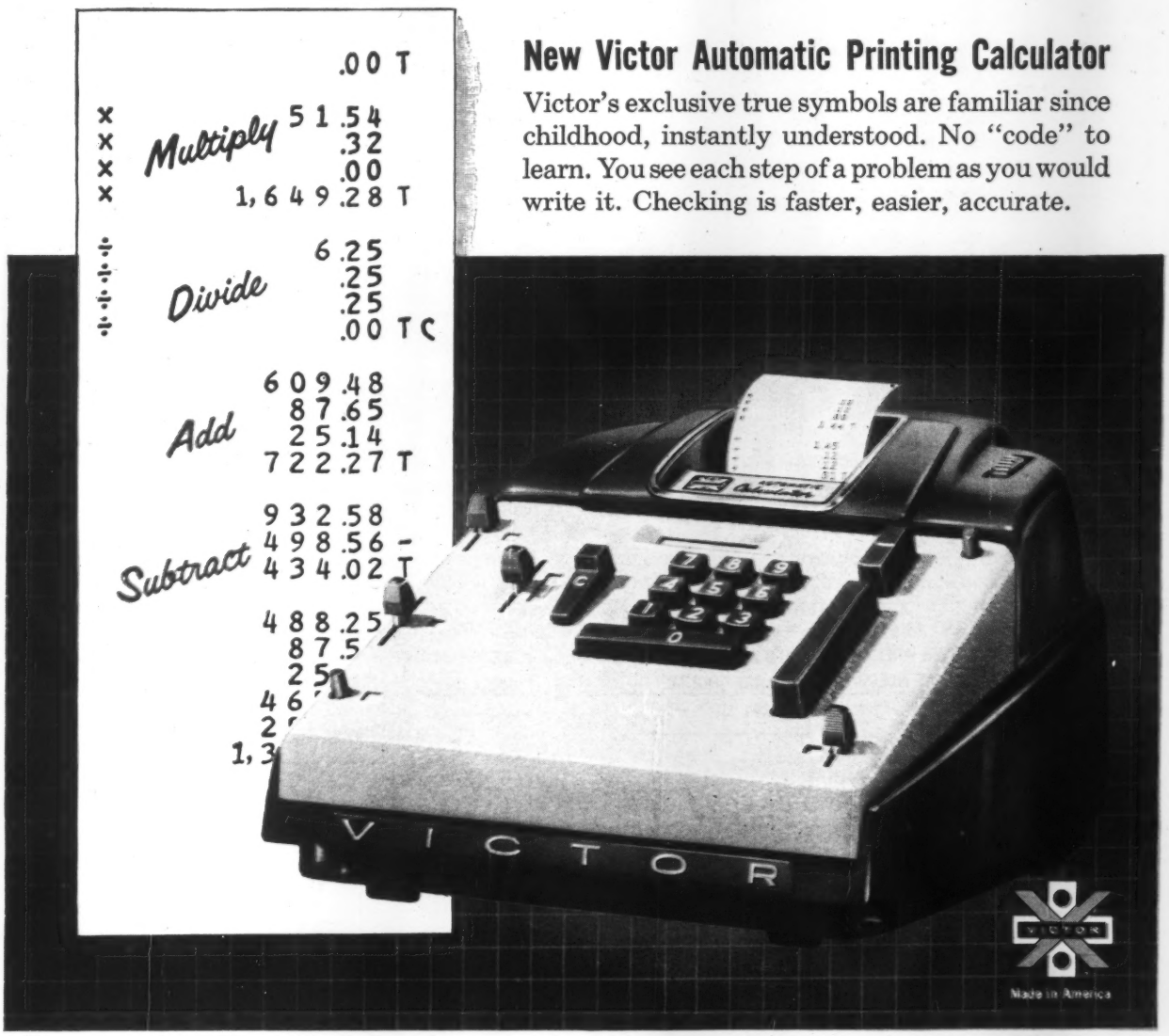
RIBBONS: CLASSIC · COMMANDER · MARATHON · PINNACLE · RAINBOW · SILK GAUZE
CARBON RIBBONS: COLUMBIA M-50 · COLUMBIA PF-75 · **CARBON PAPER:** PINNACLE CLASSIC · COMMANDER · LECTRICOPY · MARATHON · ACCOUNTANT SPECIAL · PLASTISOL F-100 RAINBOW · SILK GAUZE · **DUPLICATING SUPPLIES:** COLITHO OFFSET · READY-MASTER SPIRIT

Easiest calculator tape in the world to read



New Victor Automatic Printing Calculator

Victor's exclusive true symbols are familiar since childhood, instantly understood. No "code" to learn. You see each step of a problem as you would write it. Checking is faster, easier, accurate.

Easy to use as an adding machine

No special training needed! With just one simple keyboard, Victor's Magic Motor Bar and Simpla-Key handle all transactions. Automatic Constant. Total Transfer. Credit Balance.

VICTOR
business machines

Victor Adding Machine Co., Chicago 18, Illinois
Victor Adding Machine Co., (Canada) Ltd., Galt, Ont.

Free 40-PAGE HANDBOOK OF CALCULATING APPLICATIONS

Cuts figuring time. Includes math conversion tables and how to simplify complex figuring problems. Mail coupon for Handbook, plus facts on Victor Automatic Printing Calculator.

Victor Adding Machine Co., Chicago 18, Ill., Dept. DR9

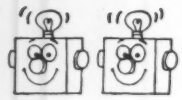
Name_____

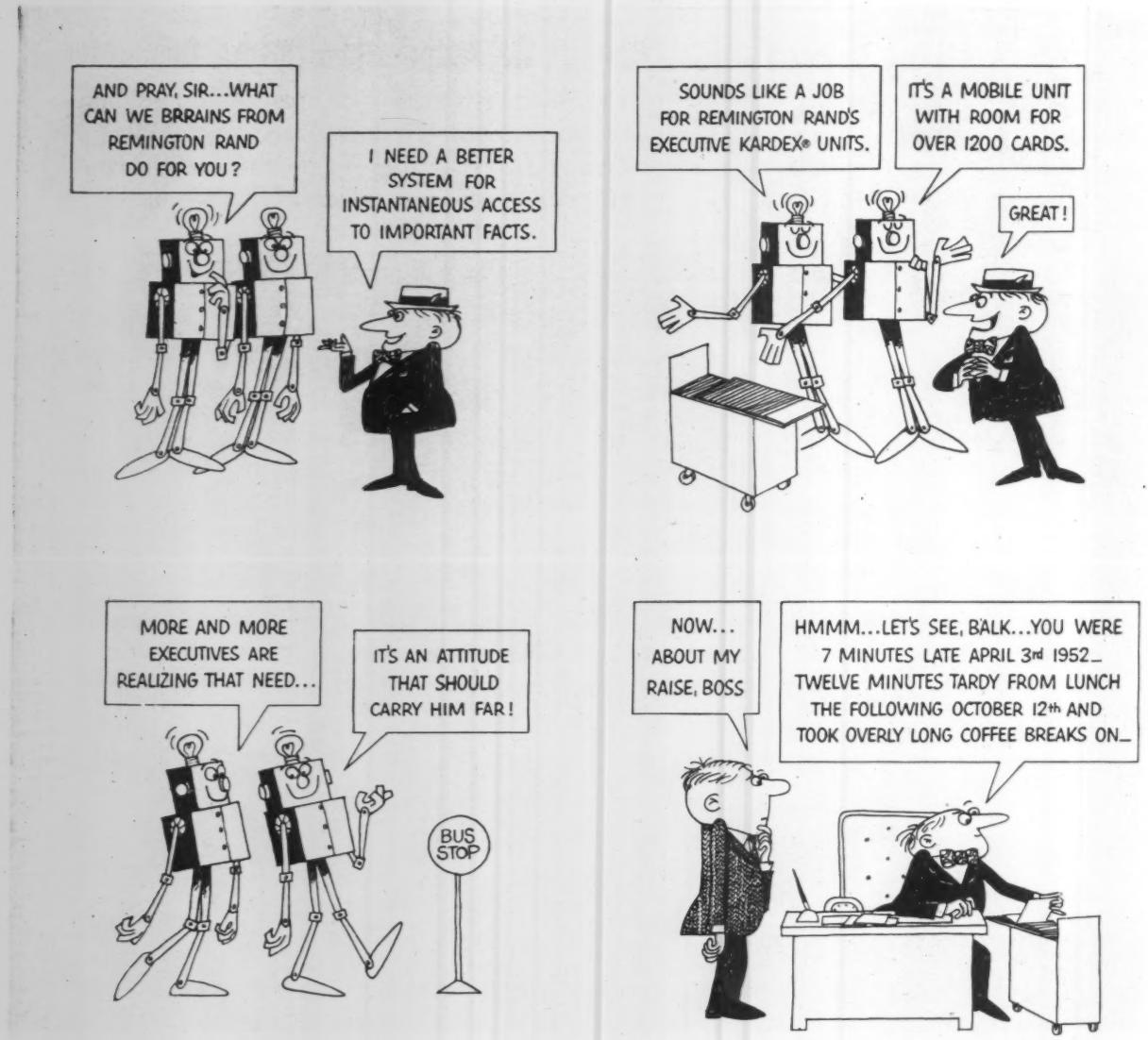
Firm_____

Address_____

City_____ Zone____ State_____

BRING ON THE BRRAINS FROM REMINGTON RAND




AND PRAY, SIR...WHAT CAN WE BRRAINS FROM REMINGTON RAND DO FOR YOU?
I NEED A BETTER SYSTEM FOR INSTANTANEOUS ACCESS TO IMPORTANT FACTS.
SOUNDS LIKE A JOB FOR REMINGTON RAND'S EXECUTIVE KARDEX® UNITS.
IT'S A MOBILE UNIT WITH ROOM FOR OVER 1200 CARDS.
GREAT!
MORE AND MORE EXECUTIVES ARE REALIZING THAT NEED...
IT'S AN ATTITUDE THAT SHOULD CARRY HIM FAR!
BUS STOP
NOW... ABOUT MY RAISE, BOSS
HMMM...LET'S SEE, BALK...YOU WERE 7 MINUTES LATE APRIL 3rd 1952— TWELVE MINUTES TARDY FROM LUNCH THE FOLLOWING OCTOBER 12th AND TOOK OVERLY LONG COFFEE BREAKS ON—

Kardex® Visible Files can handle inventory, personnel, production figures, credit, ledger, sales, records, you name it. And look at this staggering list of advantages: Visibility—spot the record you want at a glance, and find every item clear, clean, and permanently protected by its visible margin; Convenient—flat posting surface and desk height make posting easy; Mobility—wheel the whole file into meetings, etc.; Signaling—vari-colored signals show items that need attention.

The full story on Kardex® Visible Files is contained in an illustrated booklet which, by the sheerest coincidence, you can have simply by mailing the coupon.

Remington Rand SYSTEMS

Division of Sperry Rand Corporation
Room 501, 122 East 42nd St., New York 17, N.Y.

Please send me my free copy of your booklet on Kardex® Visible Record Cabinets.

NAME_____

TITLE_____

COMPANY_____

ADDRESS_____ CITY_____

ZONE____ COUNTY_____ STATE_____

that was able to develop the equipment we needed. Moreover," adds Spiegel, "they were eager to undertake the task."

U.S. customers are not the only ones who have taken a shine to such foreign talents. Even the biggest of the American equipment companies may label an ingenious European product and slip it into its own line. Monroe Calculating Co., for example, now reaps the benefits of both its own name and that of Sweda, the famed Scandinavian company that it bought out two years ago to challenge the giant National Cash Register Co., itself a 76-year-old veteran in the tricky international field.

European takeover

Yet in recent years the most startling news in the industry was not the U.S. import of a foreign line, or even the U.S. purchase of a foreign firm. Rather, it was the unexpected announcement that an established great in the American business machines field would become the subsidiary of a European organization.

When Italy's Olivetti Corp. took over 40% of the lagging Underwood

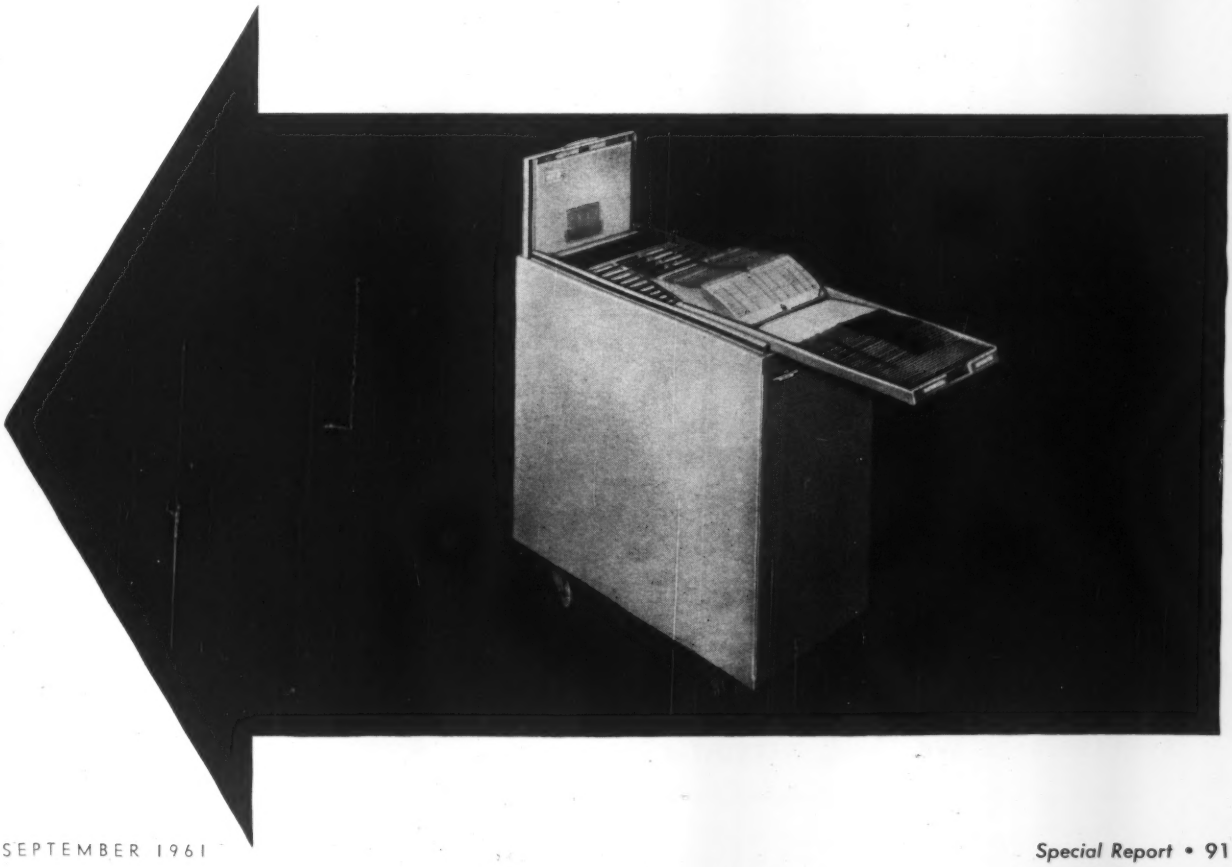
ARE Americans conservative? Yes, says Underwood President Galassi.

Corp. in November 1959, it became the first European office equipment maker to establish a beachhead all its own on American shores.

And if the tempo was slow and sad at Underwood two years ago, it is decidedly faster now. Olivetti today holds 69% of the American company, has propped it with at least $60 million to date. And though it has sent a mere 22 of its Italian executives to work here, those men hold the key positions on Underwood's 7,800-man staff.

Foremost among them, of course, is Underwood's new president, heavy-set, 49-year-old Ugo Galassi. Galassi's prescription for Underwood: the foreign touch that U.S. customers seem to go for. Today, Olivetti calculators and typewriters are ranged in the American company's sales offices beside new Italian-designed Underwood machines. The two companies are, in Galassi's words, "like Siamese twins."

But if Ugo Galassi has brought a new atmosphere to the U.S., American equipment makers are winning their way to foreign sales just as forcefully. One reason for Pitney-Bowes' calm about Postalia is undoubtedly the fact that its own new international division last year brought in 10.5% of P-B's $67.5-million gross. Nor is the burgeoning foreign market the sole province of the big business machine companies. Just two months ago, a hardy Texas sprout, National Data Processing Corp., announced that Britain's giant Interna-



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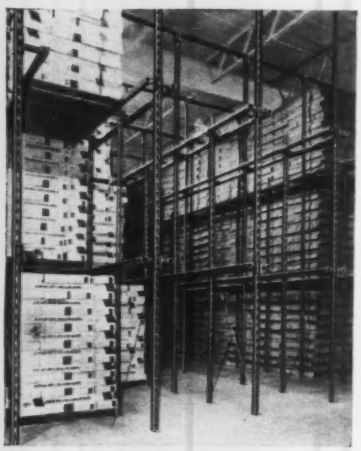

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tional Computers and Tabulators Ltd. would market its automated bank equipment and optical reader around the world, an agreement that, incidentally, may presage NDP production of ICT devices here.

For there is one characteristic of the office equipment market: it changes fast. New alliances are formed, new machines replace the old, new customers turn up at every crossroad.

Traditionally antiprotectionist International Business Machines Corp. may say sympathetically that "in fairness to other businesses, we must admit foreign competition in the U.S. has not been a serious problem for us up to now." But it is a sure bet that it takes equal note of the countless European businessmen who glance up at their 24-hour IBM World Trade Corp. clocks, of the girl in Southeast Asia who types out letters in Thai script on a special machine with that familiar IBM label.

In this day of expanding offices and a shrinking world, even the smallest U.S. companies can take heart from what they see around them. For if the equipment makers from overseas can do it here, there is nothing stopping the Americans from ringing up just as many sales and more on foreign shores.

The export parade

In fact, the international traffic in business machines is due to increase even more in the years ahead for a broad list of companies. Already, office equipment exports are like a strong tonic to the Department of Commerce, as more U.S. companies join the parade. Standing at $78 million in the first 1961 quarter, business machine shipments abroad were some 74% higher than in the first three months of last year. Electronic computer exports alone, accounting for over a third of that total, jumped some 235%.

Right now, Japan is the largest single customer for U.S. office machines. But it is the South American countries, now buying 133% more than in early 1960, that show the biggest growth. And Europe's Common Market, for all that it is the world's major exporter of business equipment, is today clamoring for more and more of the American machines that are certain to go abroad in increasing numbers in the years ahead.

Special Report continued on page 94

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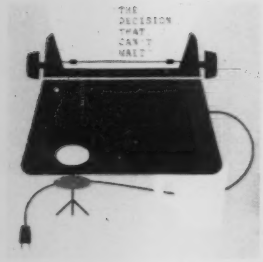

The Fight for Inner Space

FROM San Francisco's breeze-swept Bush Street to the skyscraper-clogged heart of midtown Manhattan, the rattle of riveting guns and the thump of pile drivers have been noisily proving that the U.S. postwar office building boom is still going strong. In the past decade that boom has added some $2 billion worth of gleaming new buildings to the Manhattan skyline alone. And even though the recent occupancy rate has slipped slightly, to 97.2%, few New York builders seemed at all worried about any possible oversupply of office space.

For the man running an office behind those shiny new walls of aluminum, glass, steel or even plain, old-fashioned concrete, the supply problem in office space has been just the opposite. While one big builder publicly wondered if there was too much Manhattan office space, the man on the inside was desperately concerned with getting more of it.

It was no easy trick. On the one hand, the executive had to worry about rising costs, not only in his bulging clerical force but in the sharp rise in the price of the square footage

HOWEVER FIERCELY the fight for inner space is waged in the clerical offices beyond, the reception area seldom shows the strain. Above, the lobby of the Austin Co.'s new general office building in Cleveland.

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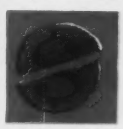

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occupied by that force. On the other hand, he had to provide surroundings that were attractive and inviting for a high-caliber workforce that was rapidly becoming harder to replace. And at the same time, and even as both those costs reached new highs, he had to find some way to allow for business expansion without running into still higher overhead.

For that reason, then, if there was a new look in office design during 1961 it could be summed up in two words: internal flexibility. True, flexible layouts and their corollary, movable walls, have been playing a bigger and bigger part in the office ever since the end of World War II. Now, though, they have become a virtual "must," with every executive hunting for ways to prepare for the future without mortgaging the present.

Not surprisingly, then, the process already has reached its logical conclusion in the year-old Union Carbide Building in New York City. Stretching up from a pink terrazzo plaza on Park Avenue, the world's tenth tallest office building is equipped throughout with movable walls. In fact, in all the office space in its 52 stories, there is really only one part that Union Carbide's Chairman Morse Dial cannot shift around like a chess piece: the building's glass curtain façade.

Movable walls, of course, are not the only device businessmen are using in their search for breathing space. Consider so simple a thing as power outlets. Even in large, open office areas where management has no walls to worry about, a shortage of power outlets can short-circuit the rearrangement of work stations. As a result, more and more executives are insisting that their new office buildings come equipped with a network of underfloor ducts for power cables.

Long-range savings

Although this installation costs 40% to 100% more than conventional electrical systems, its flexibility can produce solid, long-range savings. For proof, take the corporate experience at Seagram's famous bronze-and-glass headquarters in New York. A corporate tenant reshuffled an entire secretarial floor and more than saved the difference in cost between the two systems. If he had reshuffled the space on a floor with conventional ducting, his costs would have run to a minimum of $18,000.

For all their stress on future flexibility, though, most companies are faced with an even more pressing necessity. That is the sky-high cost of skyscraper space. With the price of floor space rocketing (you can pay as much as $10 per square foot for prime Manhattan office space), management today is desperately seeking new ways to cut down on wasteful use of floor area and to put even the overhead "air" to work.

One office designer nominates the private conference room as another prime space-waster in many offices. Unless such a room is really needed, he argues, it is hardly worth the average $1,200 annual cost in floor space.

In trying to put space to work in the past, many companies have run into a literal stone wall in the shape of dead or inactive files. Today, though, businessmen have partially solved the age-old riddle: What happens when an irresistible force meets an immovable object? "You just," says one office planner, "move the immovable object."

That means it goes into a warehouse owned by a company which makes a business of taking old files off management's hands. In Manhattan, alone, nearly twenty such companies are already engaged in storing inactive or semi-inactive records for client firms. The storage companies now even have search services to quickly dig out documents.

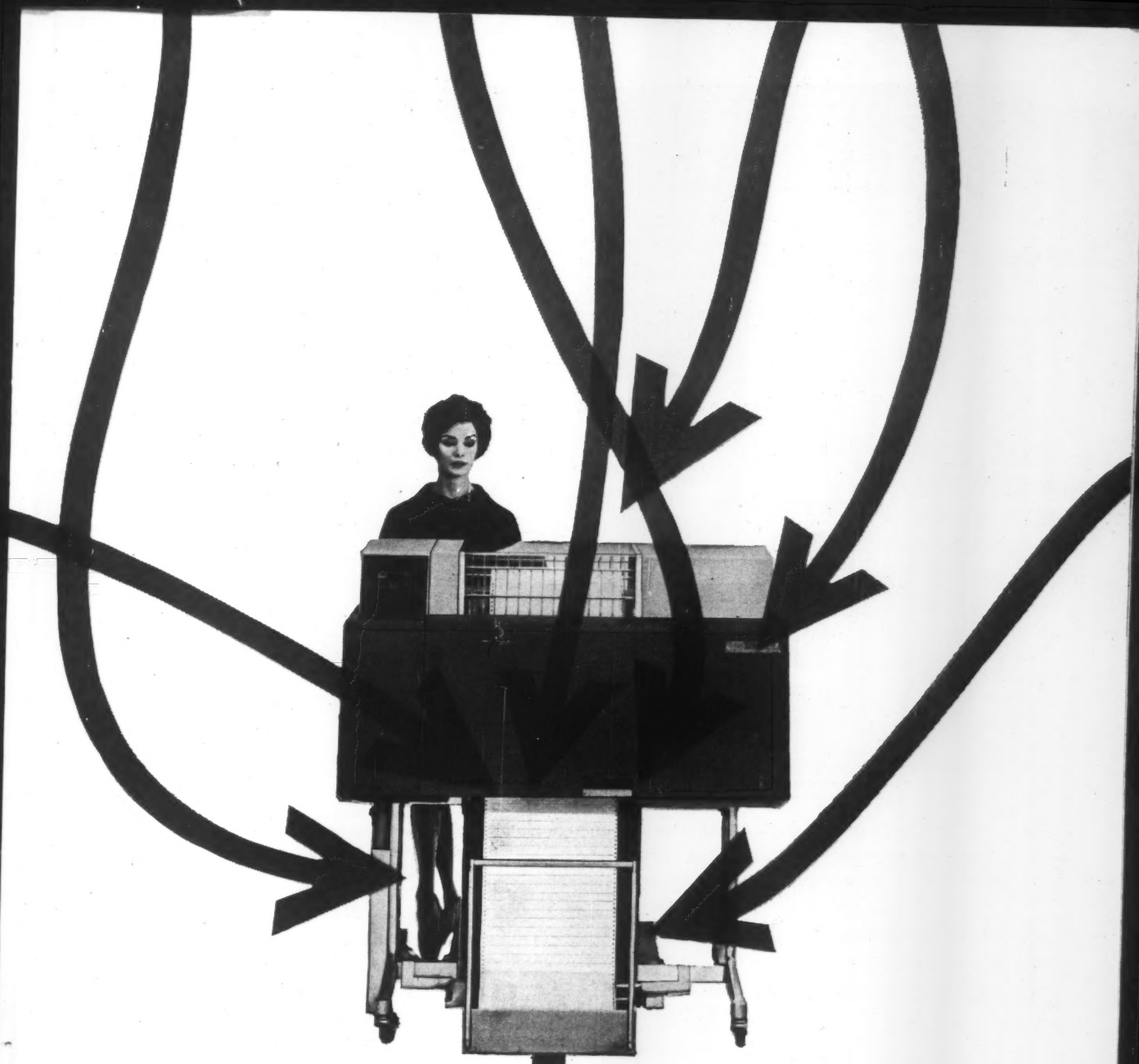
One company, New York's Sofia Brothers, feels it can go that step one better. Currently building a specially designed records storage warehouse in New Jersey, Sofia will be able to let its clients scrutinize documents on eight minutes' notice or less. Under the Sofia system, large companies will be given their own closed-circuit TV receivers, smaller firms relying on a central receiver in Sofia's mid-Manhattan headquarters.

Not surprisingly the cost of this service can run high. In some cases, in fact, it may soar to $2.75 per square foot of filing space. But to a Manhattan company paying $6 a square foot just to house its files, that cost represents a real saving.

Not all files, of course, can be moved to central storage areas even

WALL OF GLASS enhances the spacious office of George P. MacNichol, Jr., president of Libbey-Owens-Ford Co.

INNER SANCTUM of the chief executive of a giant New York-based firm adjoins outer office, reception area.



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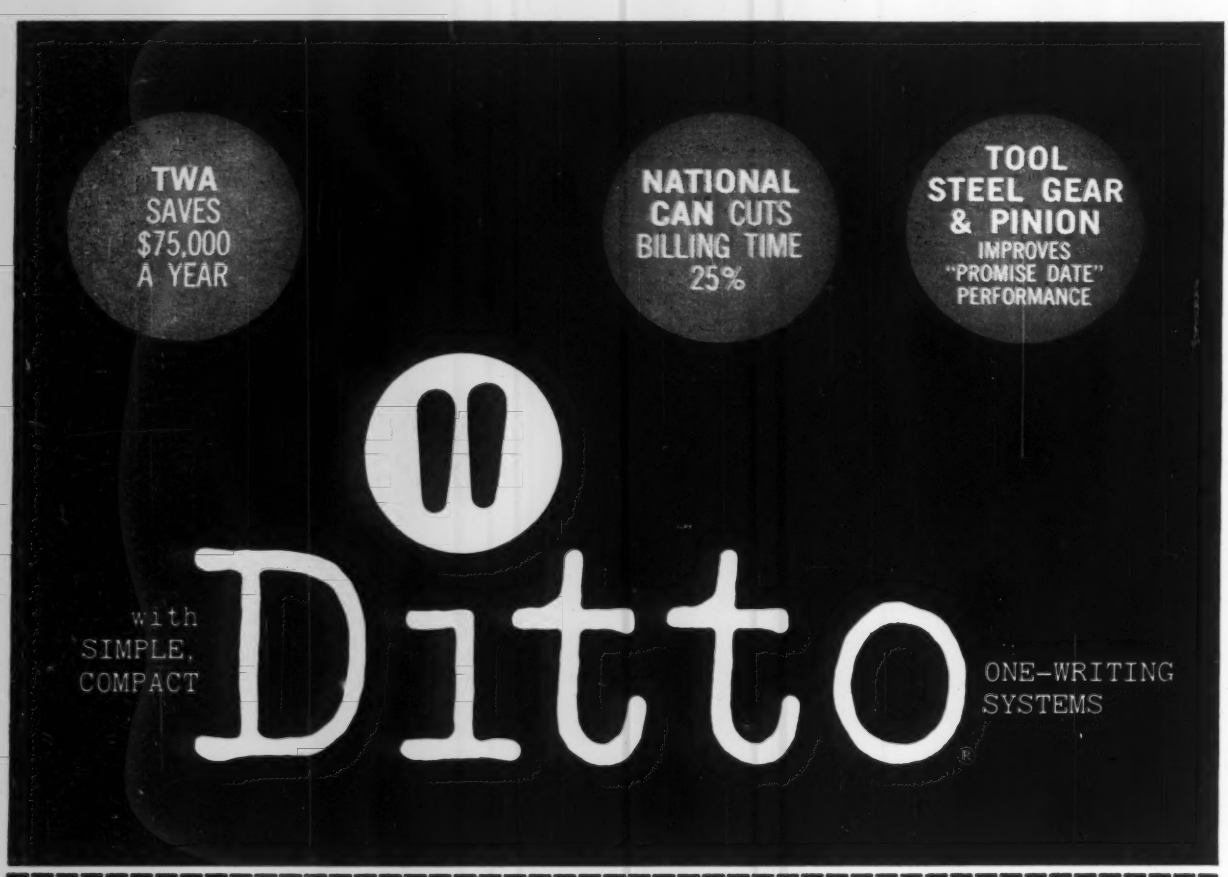
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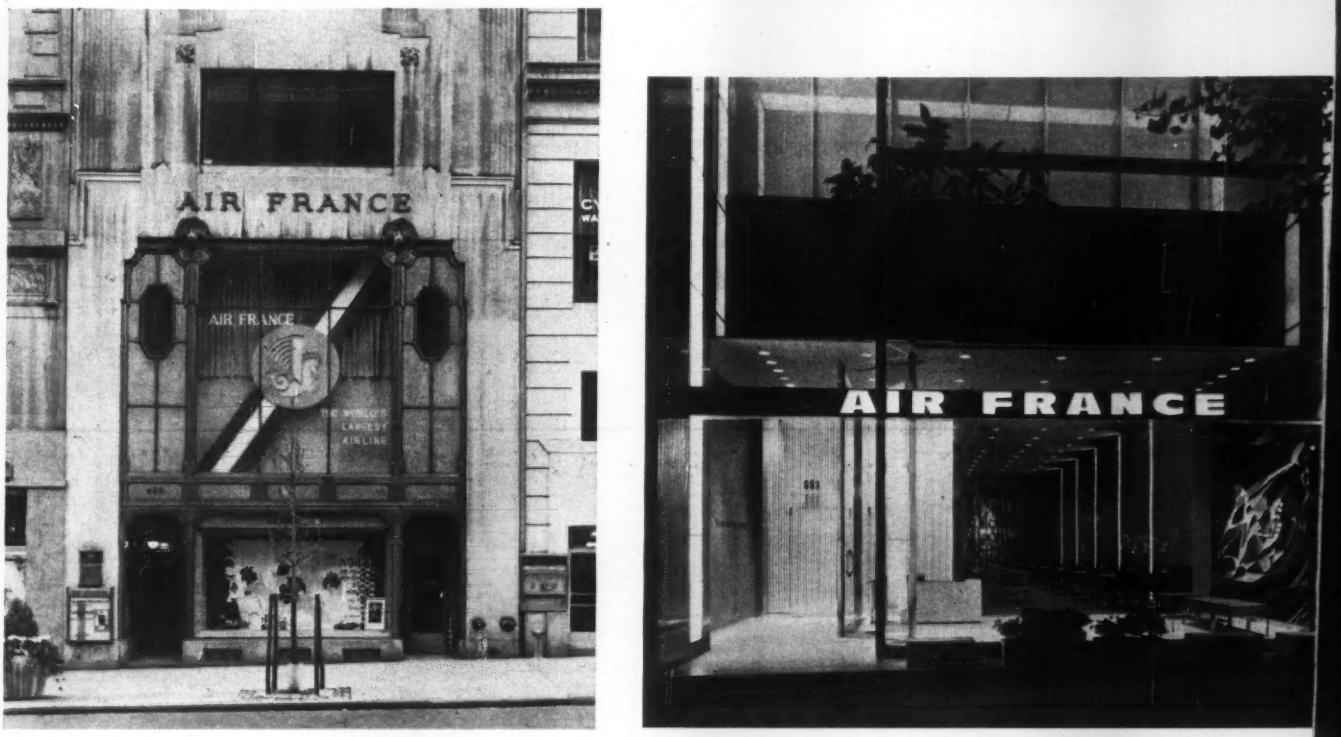

TRANSFORMATION of a drab facade into a frame for a vividly designed reception area that invites the passerby's attention was accomplished in this airline office on New York's Fifth Avenue. Modern art highlights the interior design.

for economy's sake. Where they are retained, office planners are finding ways to make them more valuable. Stauffer Chemical Co. and the Wall Street investment house of W. E. Hutton Co., for example, have built storage cabinets above their files to make use of that dead air space.

Still another space saver also cuts down on clerical payrolls: secretarial pools. Though often unpopular with the girls, the pool idea can pay off. As one example, Socony Mobil Oil Co.'s pool has kept individual space needs down to 50 square feet, a dramatic saving of 33% in high-cost, midtown Manhattan space.

Pursuing economy too far, of course, can bring a company squarely up against an even touchier problem than costs: employee morale. With companies competing harder than ever to attract and hold high-quality clerical help, more than one executive has found that too much austerity in the office area works out to be an expensively short-sighted economy.

Adding to the problem, few commodities are as scarce as top-flight secretaries. Even as the rising complexity of office work steps up the demand for educated personnel, college-educated women are showing a growing disdain for office jobs. From 1952 to 1959, in fact, the number of female college graduates in office jobs dropped by no less than 36%.

Reason? "Office work has lost its glamor," bluntly states Professor Irene Place of the University of Michigan's School of Business Administration. "Time was when the greatest creative challenge a woman could find was in an office job. But today all that has changed."

So the executive today must plan his office space with "fringe benefits" as well. When one giant electronics company moves to its new Manhattan headquarters later this year, it will even go to the extent of giving some secretaries a breathtaking view of the New York skyline while putting their bosses in inside office space. Working on roughly the same principle, Aluminium, Ltd. will assign outside space to hard-to-find engineering draftsmen in its new Montreal headquarters.

As numerous magazine articles

VERSATILE ELEGANCE is the keynote of David Rockefeller's presidential suite on the 17th floor of Chase Manhattan Bank's giant new headquarters building.

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have attested, office layout can also step up worker productivity. Improved lighting in the office, as has been proved time and again, can definitely step up the efficiency of the white collar force. At Scot, Inc., a Downers Grove, Ill. manufacturing firm, new lighting reduced worker fatigue so effectively that management no longer had to give as many rest breaks as it did in the past.

Just how much light produces that effect? Recent studies by Dr. H. Richard Blackwell of the Illuminating Engineering Society tell a story which calls for far more light than in previously accepted minimum levels. Examples: for reading, 30–70 footcandles; stenographic work, 100; bookkeeping, 150; drafting, 150–200. This is about three times as much light as used to be considered adequate.

Occasional changes of wall color, Architect J. Gordon Carr believes, would also help to erase the institutional sameness of the office. Lighting alone could turn this trick. Walls could be painted a base color such as white or gray, then bathed in cheerful pastel lights. As the seasons changed, or the weather shifted, the color "mood" could be altered at the flip of a switch.

Communications & traffic flow

Admittedly, such speculations are remote from the day-to-day concerns of most companies with large office areas. With the problem of adequate illumination under control, they are far more likely to be worried about mundane matters like communications and traffic flow.

In big office areas, such problems can be serious indeed. Consider the clerk who must carry a document from one floor to the next. First, likely as not, there is a long walk to the end of the corridor, a very expensive piece of floor space; then, a wait for the elevator. Add in the opportunities along the way to chat with other employees, and it is not unusual for a one-floor round trip to take 20 minutes.

Though office space can create communications problems, it can also help to solve them. Look at those corridors, reception rooms and elevators that inevitably consume so much space in the average office. More and more companies are using them as salesmen. Organizations ranging from the Moore-McCormack Lines to the New York Football Giants use their waiting rooms for exhibits designed to enhance their public image.

Other firms use the idle space around elevators as well to soft-sell themselves to the public. Some go so far as to dress up the area with library shelves, books, plants and exhibit materials. Here, as elsewhere in the office, ingenuity and economy in using space are the watchwords.

There is, however, one place where the office economy drive has made little progress: the executive suite. To be sure, some smaller top executive offices have been specified in the past year or two; cubic volume and managerial prestige are no longer equated so strictly as in the past. Too, lavish ornamentation is on the way out. These, however, are no signs of a trend to austerity. Says one planner: "The executive suite is no more likely to abandon luxury than a peacock is to shed his plumes. Whatever else it may be, the executive suite is also a company showplace."

Efficiency counts most

Luxurious or not, the executive suite also must be efficient. That, in fact, is the prime requirement today. Sometimes, startlingly so. Designer Jens Risom, for instance, created a whole series of deskless offices for one company. Instead of a conventional desk, a three-legged round table in each office provides the needed working surface. Around it, an executive swivel chair and armchairs create a natural conference area.

Perhaps the ultimate in efficiency and beauty is the executive office of David Rockefeller, president of the mammoth Chase Manhattan Bank. Built with an eye for versatility rather than economy, the Rockefeller suite has all the usual executive refinements. But it also boasts one truly distinctive feature. At the flick of a switch near Rockefeller's desk, an entire wall of the office slides silently away, revealing a reception area with harmonizing decor, where Rockefeller's private secretary holds sway. Built-in bookcases and colorful contemporary paintings brighten the cool beige color scheme of the office.

Chase Manhattan does not claim that this represents economy. It is satisfied simply that the setup is flexible and efficient—and, this year, that is what counts in the executive suite as well as in the secretarial pool.

Special Report Roundtable on page 104

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ROBERT S. ADAMS, Director of Advertising, Thomas A Edison Industries, McGraw-Edison Co., West Orange, N.J.

BLYNN B. BECK, General Sales Manager, Pitney-Bowes Inc., Stamford, Conn.

KEN BEMENT, Vice President Marketing, Burroughs Corp., Detroit, Mich.

M. J. CREAN, Director, Data Processing, Sperry Gyroscope Co., Great Neck, N.Y.

GEORGE W. DICK, Vice President, Commercial Systems Dept., Electronic Data Processing Division, Radio Corp. of America, Camden, N.J.

PAUL ELICKER, Vice President of Finance, Smith-Corona Marchant, Inc., Syracuse, N.Y.

JAMES V. FORD, General Sales Manager, Data Processing Division, Burroughs Corp., Detroit, Mich.

C. L. GILDROY, Chief Industrial Engineer, Western Union Telegraph Co., New York, N.Y.

MALLORY C. GRAVES, Manager, Management Methods, American Machine & Foundry Co., New York, N.Y.

L. R. HAGUE, Director, Business Systems Dept., Westinghouse Electric Corp., Pittsburgh, Pa.

JOHN HAWK, Director of New York Operations, CEIR Inc., New York, N.Y.

EDWARD T. HUNERBERG, Secretary, Supreme Steel Equipment Corp., Brooklyn, N.Y.

FRANK M. KNOX, President, Frank Knox & Co., New York, N.Y.

KENNETH M. LEGHORN, President, Photostat Corp., Rochester, N.Y.

W. J. McDONNAL, Product Manager, Data Processing Division, IBM Corp., White Plains, N.Y.

A. M. McDONOUGH, Director, F. W. Taylor Management Laboratory, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.

H. J. McMAINS, Administrator, Data Communications Planning, American Telephone & Telegraph Co., New York, N.Y.

ALAN NEGUS, Vice President, Naremco Services, Inc., New York, N.Y.

RICHARD W. POMEROY, Senior Consultant, Arthur Young & Co., New York, N.Y.

ROBERT C. PREDMORE, Administrator, Electronic Data Processing, American Express Co., New York, N.Y.

RICHARD ROSENGARTEN, Manager of Administrative Services, Philco Corp., Philadelphia, Pa.

STEVEN L. SHEA, Vice President, Data Processing, American Insurance Co., Newark, N.J.

GORDON SMITH, Vice President, Remington Rand Division, Sperry Rand Corp., New York, N.Y.

RAY L. WALKER, Systems & Procedures Officer, Chase Manhattan Bank, New York, N.Y.

CHARLES Y. WYNN, Regional Sales Manager, Farrington Manufacturing Co., Needham Heights, Mass.

ROBERT ZINN, Vice President, Marketing, Standard Register Co., Dayton, Ohio.

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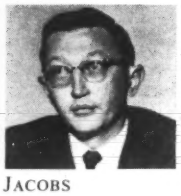
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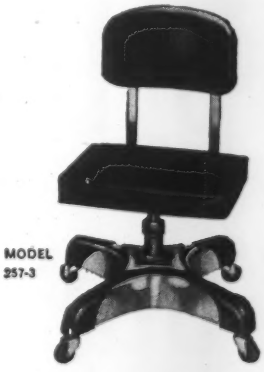
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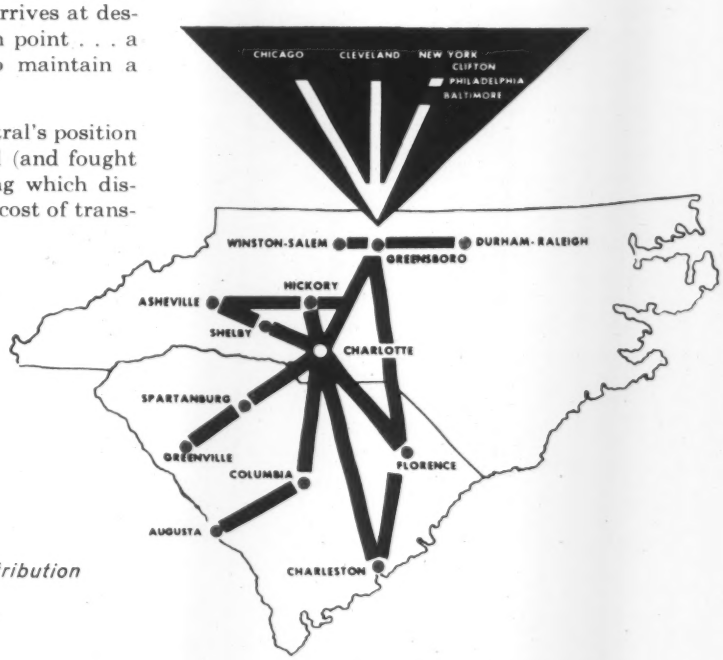

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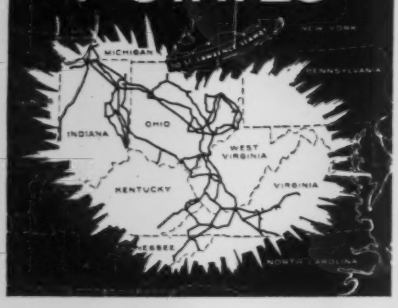

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continued from page 37

you get returns of 10% and more. It's tax deductible, too. Thanks to us you can buy a small share in a big building in the same way as you can buy a small share in a big corporation through stock ownership." Rare today is the businessman or executive who has never been exposed to this message.

Potent advantages

How good are these real-estate syndications? Are they a sound investment for executives or businessmen who know their own business but are totally unfamiliar with the myriad technicalities of real estate?

Certainly they offer some potent advantages. Some syndicates formerly offered yields of as high as 12%. Returns of 10% are still offered. Even when combined into a group of properties with common stock ownership rather than partnership ownership, the return runs around 6% and more.

Then there are the tax benefits. Thanks to the peculiarities of the present tax laws, realty can usually be written off at a far faster rate than it actually depreciates. The result is that the syndicates can be set up in such a way that all operating earnings from the property can be offset by depreciation charges. Result: no taxable earnings but a sizable cash flow. By paying out the cash flow, the syndicators can thus provide a high rate of return virtually free from regular federal income taxes. The tax situation is a constant juggling match for the syndicator. For a syndicate or real-estate corporation to show a taxable net profit is nearly a cardinal error in the sponsor's book. Whenever operating profits show a sign of running ahead of depreciation write-offs, the syndicator will rush out and buy a new property with higher write-offs—and perhaps dispose of a partially written-down property to another syndicator who can then raise its depreciation base.

Thus in a recent year, one of the larger companies had an operating profit of $4.5 million but a taxable net of only $225,000. So far this year the company had done even "better" by syndication standards: it reported a net "loss." Nevertheless, it pays regular monthly dividends out of its depreciation flow. The dividends, moreover, are tax-exempt because they are, in principle, paid out of capital rather than out of profits.

In a day and age when high-grade common stocks often yield 3.5% and less, these relatively high, tax-sheltered yields are understandably attractive. Where else can the small and medium investor get high yields, tax benefits and a possible hedge against inflation?

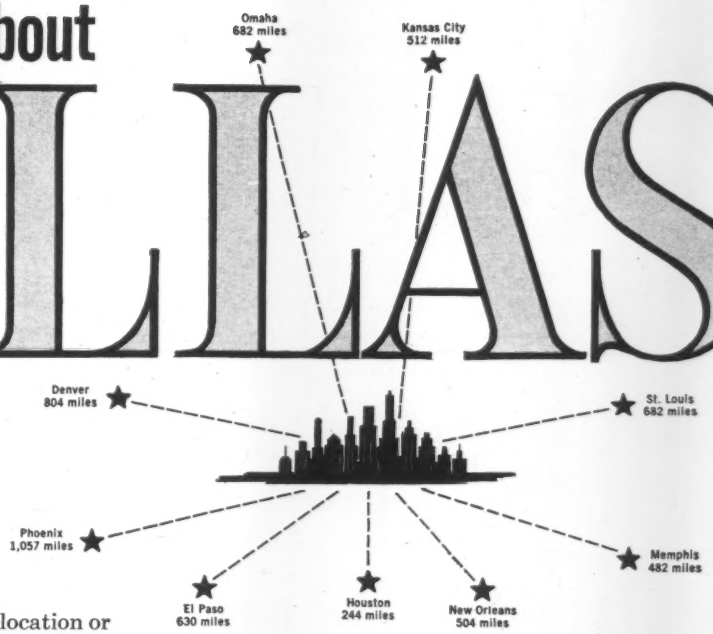
$25,000 dogs

Granted. Even so, a growing number of conservative realtors are worried over the spread of real-estate syndication. Their objections, moreover, have considerable force. So much so that no businessman or executive should rush into syndicated real estate without carefully pondering the weight of these objections.

One of the greatest of such objec-

WEBB & KNAPP'S President William Zeckendorf represents the group of realtors who have changed the skylines of American cities since World War II.

information about DALLAS for industrial site seekers



Dallas offers you unusual opportunities for relocation or expansion. Raw materials and labor are abundant. Markets for your products are readily available. Choice industrial sites are plentiful. So if the following information about Dallas interests you, get in touch with us for more specific details. We'll work with you in strictest confidence.

LABOR: Labor force of 424,100 within Dallas County. Increase in employment of 45% since 1950, and 162% since 1940. Average education 11.8 years in 1950 Census.

POWER: *Electric:* 1,131,000 KW daily generating capacity of Dallas Power & Light Company for City of Dallas in 1960. An estimated 200,000 KW for suburban communities by two other power companies.

Gas: 351 million cubic feet of natural gas delivery capability to Dallas within 24 hour period; supply backed by over 13,000 wells within 200 miles of Dallas.

Fuel Oil: Unlimited commercial supply. Three major pipelines—Mobil, Texaco, and Humble—come into Dallas area.

TRANSPORTATION: The Rock Island and eight other railroads; 32 interstate common motor carriers; 17 intrastate common motor carriers; six airlines; five bus lines.

HOUSING: 118,263 new dwelling units in Dallas County since 1950. Residential suburbs within 13 miles of downtown. Federal Housing Administration data indicates the fourth lowest residential construction costs among major cities. Average rentals, $20-$25 per room per month, unfurnished, with partially paid utilities. Substandard areas being cleared by extensive freeway program, and areas reclaimed by city renovation program.

THE COMMUNITY: 117 elementary schools averaging 28.7 students per class, and 29 junior and senior high schools averaging 30.2 students per class.

In addition, there are 24 private elementary, and seven private high schools. There are four universities and colleges in Dallas. 115 parks and seven community centers. Eleven major hospitals, and 1,106 physicians registered with County Medical Association. A city budget of $2,150,000 for general health and welfare.

Per capita state taxes 13% less than 48-state average, and per capita city taxes 12% less than other cities of comparable size, according to the Bureau of the Census.

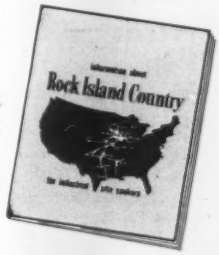
COMMERCIAL SERVICES: Based on the Standard Industrial Classification Code, Dallas has 1,954 manufacturing concerns distributed among each industry type, with concentrations of machinery, electronics, fabricated metal products, transportation equipment, and food product firms.

With the exception of manufacturing and retail trade, no economic activity accounts for over 10% of total employment.

Over 200 commercial contractors, including three of the ten largest in the South.

CLIMATE: Average mean temperature: January, 45.8; July, 84.8; annual, 65.9. Average mean rainfall: May, 5.0″; July, 1.7″; annual, 2.8″ per month.

INFORMATIVE BROCHURE describes 12 key markets in Rock Island Country. This fact-packed "Rock Island Country" booklet, as well as further details on industrial sites in Dallas, may be obtained by writing on your company letterhead to P. J. Schmidt, Manager, Industrial Development, Department 170, Rock Island Lines, La Salle Station, Chicago 5. The brochure and supplementary information will be mailed in a plain envelope marked "Confidential."



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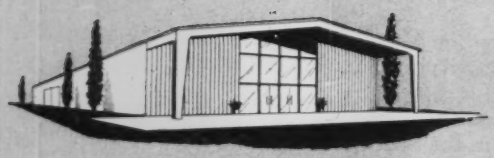

Stores and Auditoriums

Terminals and Plants

Here's the beauty of the entire Commander idea: You buy *only* what you need. No unwanted ornamentation to pay for. If you're planning a shop, warehouse or garage, chances are you'll specify little more than steel frames and conventional covering—strictly "business," yet trim and modern.

On the other hand, you can turn your imagination loose on a Commander store, showroom or auditorium. Curtainwalls, brick, cement block or glass; skylighting; beautiful shadow accent with Ceco's Rib-Drain roofing or siding (it's positively weathertight!) —these are just a few of many possibilities for originality open to the Commander owner.

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tions is the very high level of real-estate prices. Big buildings frequently change hands every few years, fetching higher and higher prices with each resale. With each new price, the depreciable base of the property goes up, thus widening the tax shelter for the property's income.

Some of the trading rather recalls the old joke about the man who sold a dog for $25,000; he was paid, not in cash, but with five $5,000 cats. One group may buy a building for $5 million and sell it a few years later for $6 million. Then the group turns around and buys from another group a building for $6 million—a building which it could have purchased a few years earlier for $5 million. On paper, both groups have netted $1 million in low-taxed capital gains. In point of fact, however, they both own approximately the same type property they started with. Only the depreciation tax base has grown.

This sort of swapping leads to inflated prices. Consider, for example, the case of Manhattan's fashionable St. Regis Hotel. The St. Regis has had four different owners in a shade over a year. William Zeckendorf's Webb & Knapp, Inc. bought it from the Vincent Astor estate for $14 million in early 1960. Zeckendorf proceeded to sell the St. Regis to Marvin Kratter's Kratter Corp. for a reported $21 million. Recently Kratter turned around and sold the hotel to Louis Glickman's publicly owned Glickman Corp. for about $22 million. In the meantime the operating lease of the hotel also changed hands several times.

The spiraling sales tag, of course, involved little actual change in the hotel's operations. It did, however, expand the hotel's tax base, sweep more of the potential operating profits under the tax rug, create a series of subleases and yield a paper capital gain to everybody concerned. The only catch, of course, is that some day a group of stockholders may find that they have bought the hotel at a fairly steep price. This is not to say that the hotel will not prove ultimately to be a good buy for them; but certainly the net result of all the swapping has been a steadily—and perhaps artificially—rising level of prices.

These prices are the more astounding in view of the level from which they have come. In the dismal Thirties, the securities of prime corpora-

$x = \frac{S}{P}$

x = your market penetration
S = your sales in dollars
P = your market potential

If you don't know P, you're only guessing at x

(Here is a ready tool that enables building products manufacturers to arrive at a realistic picture of both.)

Sales figures alone — even if they are rising — aren't a reliable index of success. For if potential is growing faster than your sales, you are actually losing ground, not gaining, because your share of market is shrinking.

Many of the leading companies that sell the new construction industry purchase Dodge Construction Contract Statistics to help get a reliable picture of their performance. They use these figures to determine their true *potential* in terms of actual market activity — which provides a simple basis for measuring sales *penetration.* And they can do this for their specific sales territories or distribution areas.

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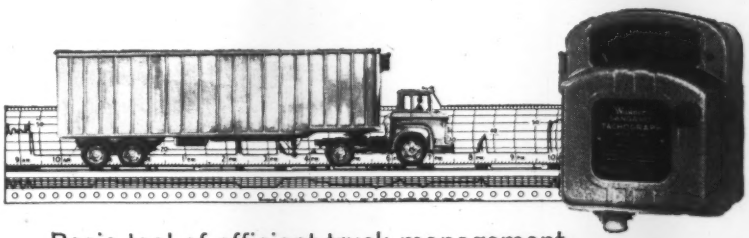

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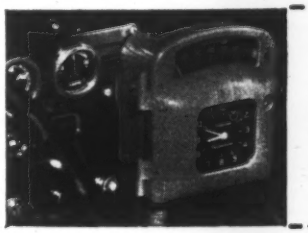

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MINNESOTA
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Write for a complete listing of NATIONALEASE affiliates showing additional affiliates supplying leasing service throughout the rest of the United States and Canada.

tions still had a market and many of them continued to pay dividends. But a big slice of urban real estate—office buildings, hotels, large apartment houses—was in receivership. In New York, alone, one realtor estimates that nearly every office building, with the exception of the Empire State Building and Rockefeller Center, fell into this category.

Similarly, publicly quoted bonds of such prime properties as Manhattan's Equitable Office Building sold at a fraction of face value. In many parts of the U.S. responsible and solvent citizens could take title to real estate almost for the asking, provided they would agree to operate the property and maintain the payments on scaled-down mortgages. Thus did quite a few citizens become millionaires by simply sitting back and waiting for realty values to pick up.

Even in the early days of the post-war building boom, older buildings yielded high returns. What with thin equities and big mortgages many an investment was made to yield 25% and more a year. In just recent years, well-known syndicators were advertising returns of as high as 12% and 24%. But today most syndicators say that 7% is the maximum on good property. Yields on those syndications that have gone public have fallen even further; Kratter Corp. shares currently yield less than 6%.

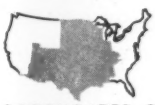
Lack of liquidity

Such relatively high prices (*i.e.*, low yields) may, or may not, prove to be too high in retrospect. One thing *is* certain: real-estate prices will fluctuate over the longer term. While relatively immune to small swings in the economy, real-estate prices are notoriously unstable when the economy goes through major contortions.

Thus in a time of depression or panic, real estate may be all but unsalable. Especially could this be true in the case of a major war, which this time would probably devastate many major U.S. cities. If the tide turns against real estate, for whatever reason, there is virtually no quick way for investors to get their capital out. Real estate, to use the proper financial term, simply lacks liquidity. The longer demographic trends may favor real estate, but there is no guarantee that an investor may not lose heavily if he needs to draw out his money for medical care, education or simply to settle an estate.

THE ARKANSAS TRAVELER'S GONE FISHIN' . . .

. . . and all that's left is its corrugated boathouse. Hoerner has been building corrugated containers to house Arkansas Traveler Boats for ten years. Hoerner packaging engineers designed special containers to keep boats shipshape in shipping and ready to go fishin'. This is just one of many Hoerner corrugated container success stories. We can make your product more profitable through improved packaging, too.



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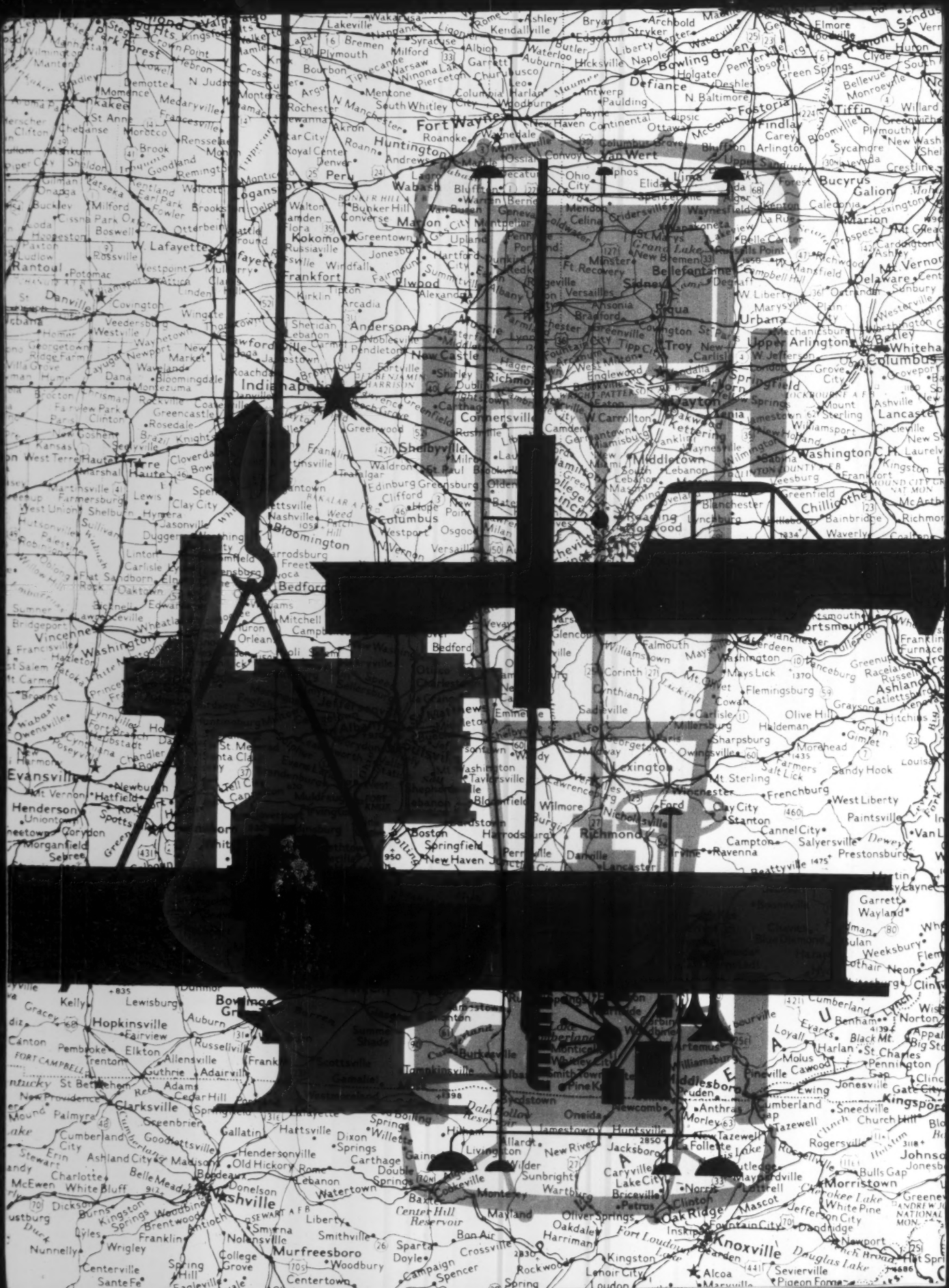
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Middlesboro
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67 years of service to the Industrial Middle West

INLAND STEEL IS HERE

Here, where only a few decades ago the land was dotted but sparsely with small factories, forges, tool shops. Here, where today thousands of miles of highways and railroads fan out in every direction. Here, where today giant factories feed the nation's industries with the machine tools, the components, the finished parts with and from which millions upon millions of wanted products are formed.

This is the crossroads of American Industry . . . and here, Inland serves.

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From this land and the hands of its people come the products of steel—the gleaming lathes, drill presses, grinders, machine tools, that make our country the bulwark of the Free World. Out of its factories come the steel truck and car bodies, the ignition systems, radios, headlights, horns, heaters, exhaust systems—countless components for the hungry automobile assembly lines. Here, builders and fabricators take steel—bend it, cut it, shape it into the forms, structurals, tanks, girders for the nation's building and construction industries.

Here, years ago, Indiana Harbor Works of Inland Steel Company shipped its first orders of steels, among them the products of its new continuous sheet mill, one of the first modern mills in America. Throughout the years, Inland continued to serve and in serving learned the needs of this amazingly diverse territory—adjusted its steelmaking to the practices of its manufacturers.

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One of a series depicting market areas served by Inland · Art by Charles Harper

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RED GIANT: *Rugged, Dependable— Year after Year*

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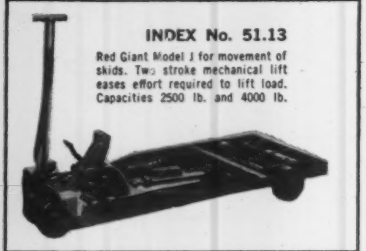
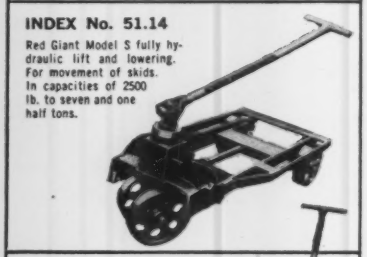
Tremendous strength without excessive weight, all steel construction, electric arc welded members, long bearing surfaces, and most of all, the simple and correct design, enable these Red Giant Lift Trucks to stand up under constant use—even abuse—year after year.

Smooth operation, a non-kicking, spring-balanced handle for complete safety—these are some of the features which make RED GIANT the most practical truck of its kind.

INDEX No. 51.15
Red Giant Model K. Job tested handling skids of building materials on skyscraper construction projects. Capacity 1500 lbs. Hydraulic lowering check.



INDEX No. 51.13
Red Giant Model J for movement of skids. Two stroke mechanical lift eases effort required to lift load. Capacities 2500 lb. and 4000 lb.



INDEX No. 51.14
Red Giant Model S fully hydraulic lift and lowering. For movement of skids. In capacities of 2500 lb. to seven and one half tons.

INDEX No. 51.21
Red Giant Model JKT for handling single faced pallets. Mechanical lift and hydraulic lowering check. Capacities 2500 lb. and 4000 lb.

INDEX No. 51.22
Red Giant hand lift truck for two or three ton loads on two faced pallets. Fully hydraulic lift and lowering. Capacities 4000 lb. and 6000 lb.
Model SVP

INDEX No. 51.12
Red Giant Model H hand lift truck for movement of skids. Single stroke mechanical lift with hydraulic lowering check. 2500 lb. and 4000 lb. capacities.

INDEX No. 51.22
Red Giant H2½VP fully hydraulic lift and lowering for two faced pallets. Separate pump handle for lifting in limited space. Capacity 2500 lbs.

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This relative lack of liquidity is potentially dangerous in yet another way. Real estate is extremely vulnerable to social and political changes. Rent control in time of war or inflation can play hob with property prices. Changes in the tax laws and deterioration of neighborhoods can greatly affect realty values. When such basic changes occur, owners of the affected properties can hardly pack up their skyscrapers and move them elsewhere.

Remember, movie theaters were often top properties in the Forties; by the mid-Fifties many of them would not even fetch their depreciated book value when they were offered for sale. Are such considerations too long-range for the average investor? Perhaps—but realty is, and must remain, a basically long-range kind of investment for the average person.

Tax troubles?

More immediately worrisome to syndicators is the fact that their biggest tax advantage depends on a law which the present Administration would like very much to change. This is the provision that enables realty owners to deduct depreciation from taxable income and then turn around and sell the building at a capital gain to another operator—who then proceeds to repeat the process.

The Administration's proposed change has certainly made the syndicators uneasy. Should the tax advantage be watered down, the syndicators could well lose their best sales argument, and investors might see their income cut considerably below what they thought they would get.

Then, too, there is the problem of local real-estate taxes. Our tax system being the archaic thing it is, real estate must bear most of the burden of educational and other local government functions. Thus the tax load on real estate cannot help but get heavier. Except where the property is protected by a net lease, such rises in realty taxes may eventually outrun possible rent increases.

Some of the other potential pitfalls in realty investing are too obvious to bear detailed discussion: overbuilding may drive rents down; operating costs may rise faster than rents; big tenants may one day move out, leaving a long and costly gap in the building's revenues; because of the payout of depreciation, the investor could find himself at the end of ten years with a

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greatly depreciated property and with the depreciation money all spent as current income.

Nor is this the place to discuss at any great length the deliberately false or misleading types of syndication against which the law gives only scanty protection. There are many such, and some are hard to spot. For example, the return often rests on rentals from a sublease—a sublease that is only as good as the guarantee behind it. But the guarantor may be a collapsible corporation with little or no assets. Again, repair and operating costs may be set excessively low in order to make the profit look good, and the end result may be big bills for repairs or extra services which could slash the expected return in half or more. Most syndicators, of course, are responsible businessmen. But as New York's Attorney General Lefkowitz has been warning investors, there is also more than one shady operator in the field.

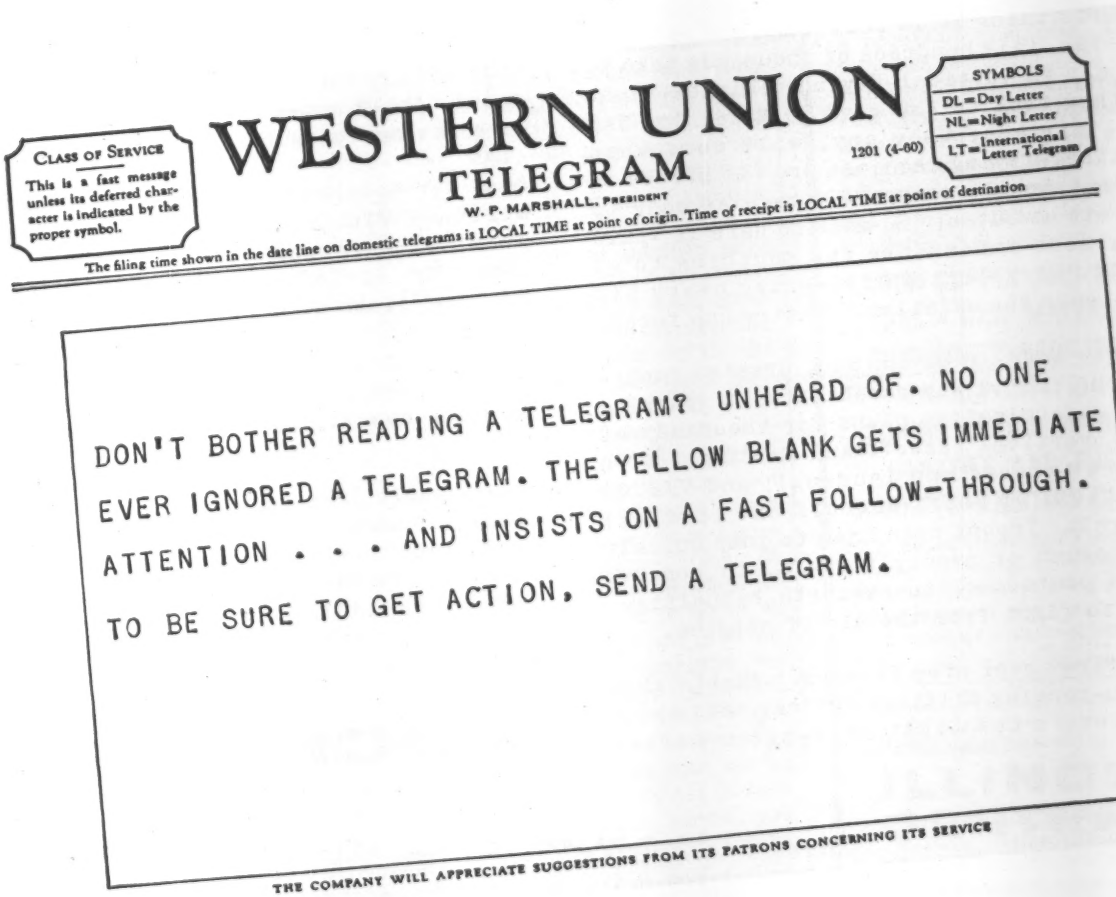
Watch out!

In the face of all these possible pitfalls, it is not enough to fall back on the old bromide of urging the prospective investor to read the fine print in the prospectus: prospectuses at best make dull reading and many of the longer-range dangers need not be spelled out. Nor can the best prospectus in the world counter the blandishments of what are probably the most liberally rewarded of all investment salesmen.

Rather, therefore, than relying on prospectuses to protect his valuable capital, the potential realty investor would do well to keep in mind what every sophisticated security buyer already knows: that a high yield, in some circumstances, can be a sign of danger. Were 6% to 8% realty yields really as secure as lower common stock yields, astute investors would waste no time in closing up the income gap.

This is not to say that realty syndications are a snare and a delusion. Far from it. There are many, run by reputable businessmen, which can make solid profits for the executive-investor. But the investor ought to remember that the fat yields are there to offset the higher risk and the limited liquidity. If in its own right the property looks good and the price right, consider it. But high yields and tax advantages *alone* should not satisfy the intelligent investor. END

Don't bother



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LOCKHEED
Progress Report

The Air Age is really not here yet, according to some experts. But it's coming fast on the wings and rotors of safer, simpler vertical aircraft.

UP & DOWN AIRCRAFT

Clue to the future in Paris. Almost every shape and size of vertical and/or short takeoff and landing aircraft--military and commercial--was represented at this year's international air show in Paris. Huge transports. Bug-like whirlybirds. Workhorse helicopters with giant rotors. Pull-up types, push-up types, types that tilt wings and motors. This year the trend is clear: it's straight up.

Most people never get off the ground. Even though air travel is now in its second half century, only a paper-thin slice of the world's population has even been up. Many experts think it is only a matter of time, however, till hundreds of thousands take to the air in vertical-flying vehicles--just as they took to the road in Model Ts. The real air age, they say, will come when vertical-flying machines are (1) priced in the automobile range, (2) made as easy to operate as autos, (3) made so safe it would be almost impossible for anything to go wrong. Large order? Yes--like every big challenge the aviation industry has faced.

Get the Army out of the mud. Greater emphasis on limited war capability is spurring Army modernization plans for thousands of VTOL (vertical takeoff and landing), STOL (short takeoff and landing), and V/STOL (vertical or short takeoff and landing) aircraft. Troops need them to jump quickly over rough or swampy terrain, to observe enemy positions, to evacuate casualties, even to fight from the air if need be.

"The first real step forward." That's what a high-ranking military officer said about Lockheed's new light helicopter before Congress recently. He said that the new craft, which features a rigid rotor system using a gyroscopic principle, achieves a "high degree of inherent stability previously unknown in helicopter flight"...(it is) "the first real step forward...to bring about the cut in cost, the maintenance, improve the reliability, and make it easy to train people to fly the things." The Army and Navy both have expressed interest in this new Lockheed design.

The Georgia Hummingbird. The Lockheed-Georgia Company has contracted with the Army Transportation Research Command to build a vertical-takeoff-and-landing jet that will hover in mid-air and fly at high speed. Aptly named Hummingbird, the craft is a new approach to vertical flight.

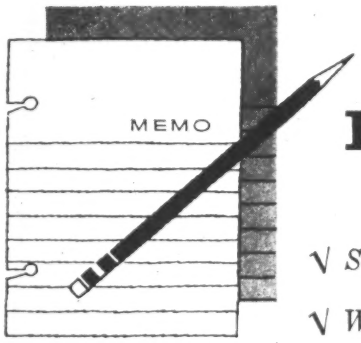
Look for Lockheed in the New Air Age. The military VTOL, STOL, and V/STOL market promises a rampant growth for years to come. The airfreight boom has barely begun. And close at hand is the exciting new era of personal air mobility. In short, Lockheed agrees with those who say that the real Air Age has yet to come. And Lockheed is doing everything possible to bring it.

* * * * *

If you would like to join those in the financial community who receive reports on Lockheed's activities throughout the world, write Mr. Ernest A. Foster, Director of Stockholder Relations, Lockheed Aircraft Corporation, 2555 N. Hollywood Way, Burbank, California.

LOCKHEED

IN THE EAST: LOCKHEED ELECTRONICS CO., PLAINFIELD, N. J.; **IN THE SOUTH:** LOCKHEED-GEORGIA CO., MARIETTA; **IN SOUTHERN CALIFORNIA:** LOCKHEED-CALIFORNIA CO., BURBANK; LOCKHEED AIRCRAFT SERVICE, ONTARIO; LOCKHEED AIR TERMINAL, BURBANK; **IN NORTHERN CALIFORNIA:** LOCKHEED MISSILES & SPACE CO., SUNNYVALE; **IN THE PACIFIC NORTHWEST:** PUGET SOUND BRIDGE & DRY DOCK CO., SEATTLE, WASH.; **IN OTHER LANDS:** LOCKHEED AIRCRAFT INTERNATIONAL; LOCKHEED AZCARATE, S. A.; AERONAUTICA MACCHI; AVIONES LOCKHEED KAISER. **PRODUCTS:** MISSILES, SATELLITES, AIRCRAFT, ELECTRONICS, SHIPBUILDING, NUCLEONICS, AIRCRAFT MAINTENANCE, HEAVY CONSTRUCTION, ROCKET FUELS, STEEL FABRICATION



Personal Memo

√ *Stocks and taxes*

√ *Wills that won't work*

THE next time you call your broker to sell stock, you may save a fair amount in taxes if you also sit down and write him a letter. This situation arises from a recent ruling by the Bureau of Internal Revenue—a ruling still little known to the general investing public—which covers the investor who sells part of a stock holding in order to establish a tax loss.

The best way to understand this new ruling, and to avoid running afoul of it, is to study a hypothetical case. You bought, say, 100 shares of XYZ Electronics at $80 a share in January and another 100 shares at $120 when the market was up in March. Now the price of the stock has dropped to $100, and you want to rid your portfolio of the high-priced shares you bought in March, take a tax loss on them, and hold on to the shares in which you have a profit.

Do you simply call the broker, tell him to sell 100 shares and then take your loss?

No, the Government now says. An informal order over the telephone, argues the Bureau of Internal Revenue, hardly will cause the broker to weed out exactly the right shares to sell from all the XYZ certificates he holds. Instead, the Bureau argues, the broker will use the "first-in, first-out" system, and sell the shares you bought in March—and what would have been a tax loss will be turned into a taxable profit.

But if you send him a letter with specific instructions on which certificates to sell, the Bureau believes he will follow your orders. Be sure, though, to go through one more step. The broker in turn must send you a written confirmation of your written order, or you still will be selling that high-priced stock and racking up a taxable profit as far as the Internal Revenue Service is concerned.

• • •

It may not be a pleasant subject to think about, but just how long has it been since you last looked over your will? Chances are, you should study it again. As estate lawyers point out, no matter how sensible and tax-saving the provisions in the will were when you drew it up, there is a strong possibility that the constant changes in Federal and state estate tax laws have made the document dangerously out-of-date.

Too, your will may have to be updated to take into account such family changes as deaths, divorces, marriages or new children. And if you have moved to another state since you first wrote out those bequests, you *must* visit a local attorney. Not only does the tax situation vary from state to state, so do the laws on allowable trusts—and they are sufficiently different as to needlessly penalize your family.

There is another reason to update your will, and it is one that does not occur to many businessmen, even though they should be more aware of it than the average person. Its name is inflation. Your beneficiaries almost certainly will be living in an era with an even higher cost of living. If your children are young now, for example, their college education might not be fully covered by any flat sum you leave for that purpose. But if a lawyer changes your will so that the trustee has the power to draw on principal for their tuition, you have covered this eventuality nicely.

By the same token, you cannot assume that your wife automatically

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Ring-Master's central automatic switchboard connects 200 stations in the new Ryerson Steel intercommunications system . . . *Ring-Master* reduces internal telephone traffic . . . keeps lines open for incoming calls.

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PATENTED PRIVACY PROTECTOR SYSTEM—**Ring-Master's** exclusive "X"-button rejects, disconnects inconvenient calls. Warning light and soft alert signal make eavesdropping impossible.

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will be able to live on the same scale as when you were alive, even if you think you have left her sufficiently provided for. Take those unforeseen emergencies, which so often can drain a family bank account. The courts place an extremely strict interpretation on the word "emergency." In fact, the only situation sure to be covered by their interpretation is one involving major medical expenses.

You can get around that danger by changing your will so that your widow will have the right to draw up to a certain amount of the principal from any trust fund you set up for her. That way, she will not find herself scraping along on an inadequate income because of an unexpected, inflation-boosted emergency cost.

• • •

You probably know all about that new "safe driver" auto liability and collision insurance, which now is in force in some 40 states. Based on a point system (one point against you, in most states, for going through a traffic light, three to five points for drunken driving), this plan rates your premium by your driving record over the past three years and can save you as much as 10% to 20% of the normal cost of the policy.

But you may not know that though these are extremely desirable policies, you can fall into a hidden trap with them. While the insurance companies are giving you lower rates, they naturally are hedging their increased risk by checking your driving record far more closely than in the past. Now, for example, they are cross-checking with one another as a matter of routine, and in some states —California, for one—every application form is double-checked against the state motor vehicle bureau file of moving violations.

That is where the trap springs. The investigator may uncover accidents involving members of your family which are completely unknown to you—even so simple a thing as a ticket for speeding your wife was afraid to tell you about, or an accident Junior covered up by paying for repairs out of his savings. Enough such unreported violations, even of this minor nature, and the insurance company might feel impelled to cancel your policy. In fact, one company already has been cancelling far more of the new policies

Want to grow... but aren't?

If your company is looking for ways to expand markets, now is the time to use American AIRfreight.

AIRfreight distribution can put you in new markets overnight without costly capital investment. No need for new distribution centers because American's more than 800 daily flights bring 3,042 markets as close as the nearest AIRfreight terminal. Result: capital that would otherwise be tied up in overhead is left free to work in other, more productive areas.

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Consider AIRfreight—every profit-building aspect. Remember more shippers move more freight on American than on any other airline in America. *Ship with the professionals*—call American AIRfreight.

AMERICAN AIRLINES

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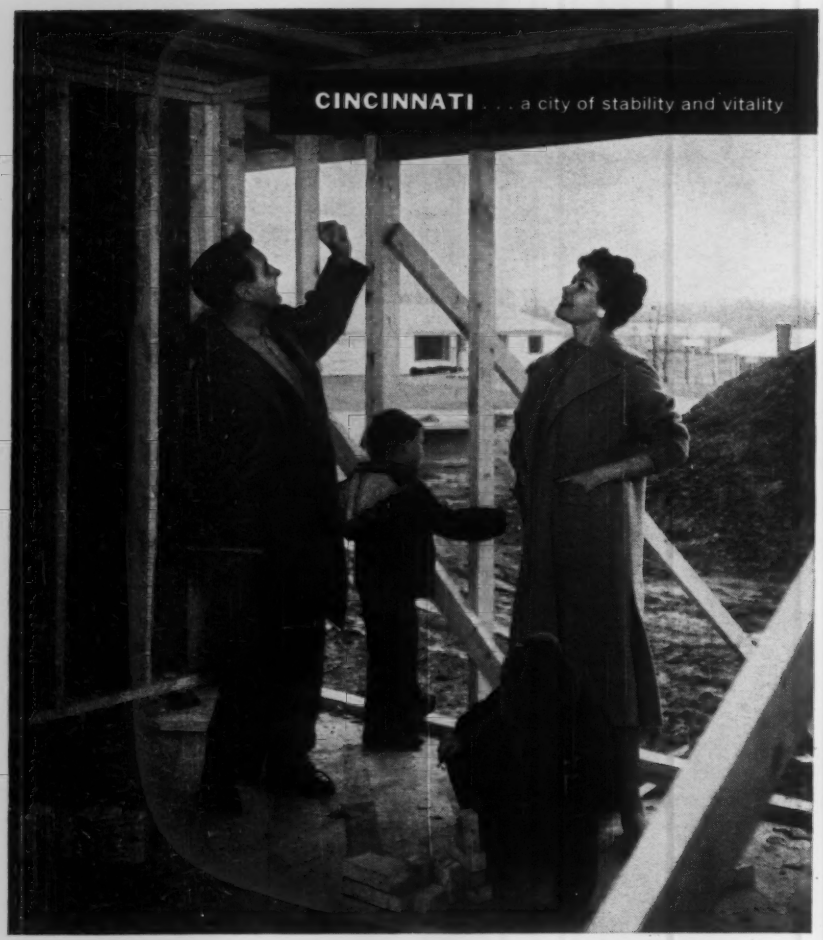


By 1965, another 53,000 families.

The roots go deep in good, solid **American** soil

Take a drive through the pleasant new suburbs rising all around Cincinnati . . . see the new houses going up . . . the new families moving in . . . and it won't surprise you that the population figures here show a 207,000 increase in the past 10 years.

But the significant thing about all this growth is that it is rooted so deeply in such good, solid American soil. One reason Cincinnati is called "the city closest to America" is because the things people believe in, here, are so close to those that made this nation grow great.

You see it reflected in the respect people have for an honest day's work, the pride in their skills, the way everyone works together to support the United Appeal, the Symphony Orchestra, Zoo Opera. You see it in the kind of local government they vote themselves. In the fine school system that helps turn out specialized, trained workers, as well as graduates in engineering and business administration.

There are a good many other solid reasons why this is a fine place to locate a new headquarters office or plant. May we tell you about them? Soon?

For complete and confidential *information about the Greater Cincinnati Area relating to your own specific problems and needs, write Mr. Ernest S. Fields, President, The Cincinnati Gas & Electric Company, Cincinnati, Ohio.*

The Cincinnati Gas & Electric Company

The Union Light, Heat and Power Company

Serving homes and industry in the Greater Cincinnati Area with an adequate and dependable supply of gas and electricity.

than it ever expected for what it considers deliberate "misrepresentation."

So explain the hazards to your family, and if you uncover any violations, report them right away. It may cost you a higher premium, but that is better than cancellation, which could put you in the insurance companies' "assigned risk" pool where the coverage is extremely limited.

• • •

In these competitive times, nearly every businessman must study to keep abreast of the changing developments in his own specialty or to broaden himself for greater executive responsibilities. Right now is the time when many excellent courses are starting up. A few of them:

• For businessmen heading overseas, the Business Council on International Understanding, 660 First Avenue, New York 16, sponsors intensive four-week courses (fee: $750) at American University, Washington, D.C. on everything from labor's role in international affairs to foreign ideas about American society. Extras include language classes and a program for wives.

• Executives who need to brush up on their science should note that New York City's Chemical Public Relations Association, 12 Gramercy Park South, gives eight once-a-week sessions in industrial chemistry.

• Even if you lack a college diploma you can get a Master of Business Administration degree in the University of Chicago's Executive Program. (Register now for next year.)

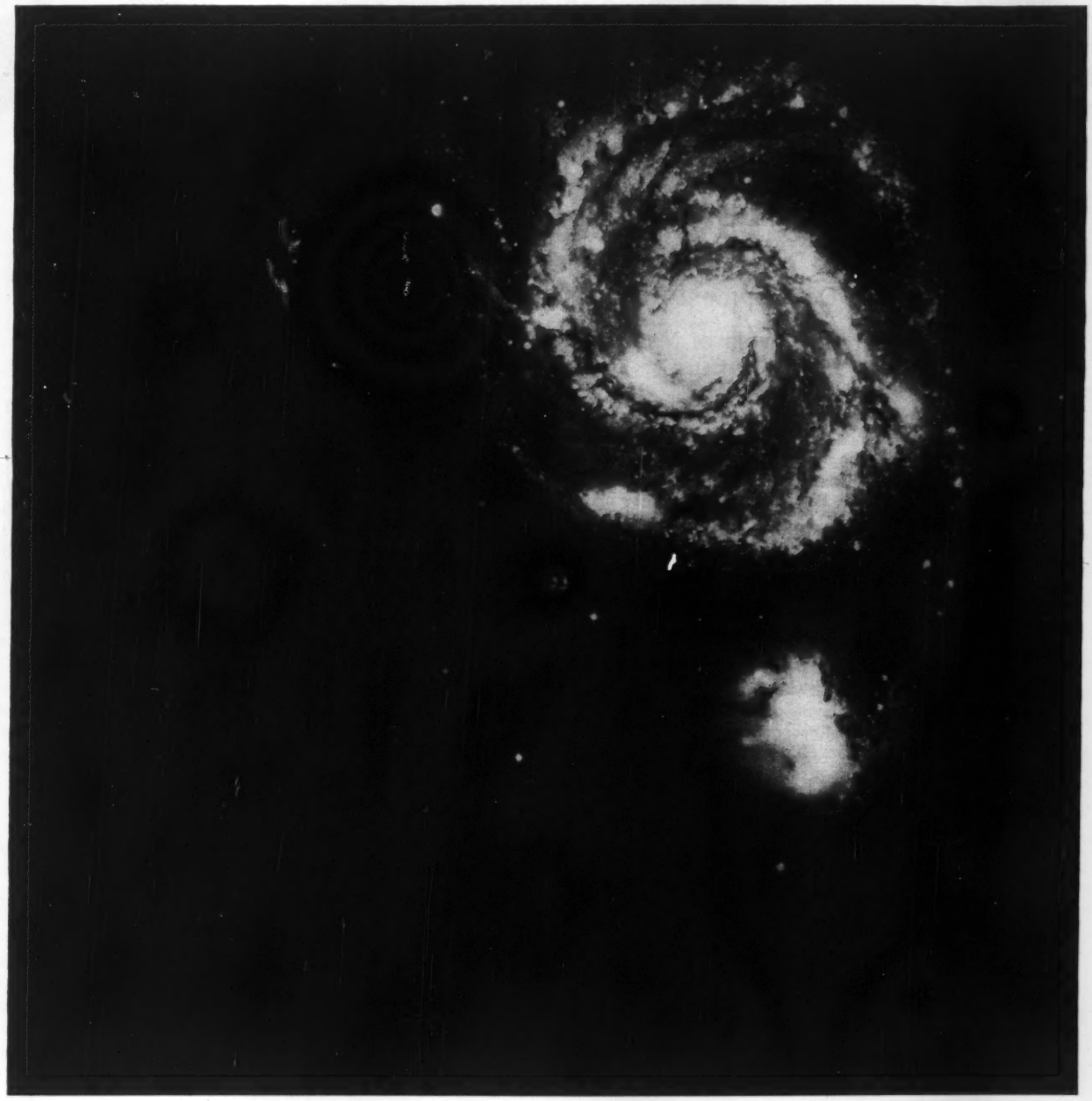
• For Southwestern executives, the University of Houston has a four-week, $950 development program which begins October 2 and covers such topics as managerial finance, labor relations and decision-making.

• New York University's Management Institute, 1 Washington Square North, New York 3, will launch an evening course in data processing for non-EDP senior executives on September 27. Fee: $95.

• Also new this year, at the American Management Association in New York City are classes for staff auditors and for quality control managers which detail new techniques.

When registering, keep one important point in mind: tuition is income tax-deductible, if your firm does not pay it for you. —P.H.D.

This mark tells you a product is made of modern, dependable Steel.



How cold is up? We know that outer space can never be colder than minus 459.72° Fahrenheit—that's absolute zero, the point at which all molecular motion ceases. We don't know what coldness like this will do to materials, but we're finding out. Scientists are using a heat exchanger to produce temperature as low as minus 443° Fahrenheit. They test materials in this extreme cold and see how they perform. Out of such testing have already come special grades of USS steels that retain much of their strength and toughness at −50° or below; steels like USS "T-1" Constructional Alloy Steel, TRI-TEN High Strength Steel, and our new 9% Nickel Steel for Cryogenics applications. And the heat exchanger to produce the −443° Fahrenheit is Stainless Steel! No other material could do the job as well. Look around. You'll see steel in a lot of places — getting ready for the future. USS, "T-1" and TRI-TEN are registered trademarks.

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THE BRITISH government has finally acted to protect the pound sterling against more of the raids that recently led to rumors of an imminent devaluation. By arranging with the International Monetary Fund to draw on some, or possibly all, of its $2.5-billion fund credit, it hopes to fend off future raids. And additional stand-by credit with the IMF will further buttress sterling's defense.

The action, most observers agree, came none too soon. The U.K.'s thinning reserves, now below the $3-billion mark, have been eroded by a combination of damaging developments. Net income from shipping operations—Britain's "invisible exports"—was $62 million in 1958. Since then, marine fleets of other countries have snapped up cargo bookings all over the world at such a rate that last year British shipping was $70 million in the red.

Too much outgo

Meanwhile, overseas arms and aid payments have been draining British reserves faster than ever. By year-end 1960, those payments totaled more than $500 million, up threefold in just five years. Adding to the pound's woes, the British travel account showed a deficit of nearly $50 million last year, as British tourists and businessmen flocked abroad in increasing numbers.

To make matters worse, British overseas investment income has been on the wane. Last year it dropped to $500 million, a shrinkage of almost 20%. Unlike foreign capital in the U.K., which is largely centered in profitable manufacturing operations, British investments abroad are heavily concentrated in agriculture and the extractive industries, where profits have been sliding.

The biggest drain on Britain's re-

International Markets

ALEXANDER O. STANLEY

serves, of course, is the persistent deficit in her overseas trade account. Last year, if ever, a narrowing of the import-export gap would have been welcome. Instead, British imports exceeded exports by a whopping $2.5 billion, up 60% over 1959.

To correct its money problems at the source, the U.K. has revived austerity measures. A 10% hike in customs and excise duties and an equal increase in the purchase tax on many consumer items will add up to about a 1% increase in the British cost of living. New British venture capital going overseas now has to get prior government approval. And a jump in the bank rate to 7% will make installment and industrial credits harder to get. As a side effect, that high yield may slow down and even reverse the outflow of "hot money" in short-term investments which has worried the Exchequer in recent months.

Adding to Britain's headaches, her moves to join the European Economic Community are threatening to tax her relations with the Commonwealth nations and to pose problems for the European Free Trade Association. All in all, it looks like a long, hard pull for the pound sterling in the months ahead.

Meanwhile, *de facto* devaluation has come at last to the Canadian dollar. After selling at a premium over the U.S. dollar for a decade, the Canadian dollar was marked down to below par on a devaluation contrived by Canada's Finance Ministry. By drawing on its existing $1-billion Exchange Fund to buy up U.S. dollars in huge amounts, the government succeeded in putting more Canadian dollars into "float" in the international money markets, thereby depressing quotations. By mid-year, the Canadian dollar was quoted at 97 cents (U.S.), as against a 1957 high of $1.06.

Narrowing the gap

The government's object in all this was to reduce Canada's traditional trade deficit *vis-a-vis* the U.S., which last year had climbed to a thumping $800 million. Like any other devaluation, this one is expected to improve, at least temporarily, the climate for exports.

At the same time, imports will be slowed down. Customers in the U.S., for example, now pay at least 3 cents less (based on a $1 par) for each $1 worth of goods they buy from Canada. But Canadian importers pay out 3 cents more in Canadian dollars for each $1 worth of goods they buy

» *Britain moves to buttress the pound, squelch rumors of a sterling devaluation in the offing.*

» *Meanwhile, Canada prescribes devaluation to cure her ailing balance-of-payments position.*

» *Time to take Japan's yen out of the hothouse? The International Monetary Fund thinks so.*

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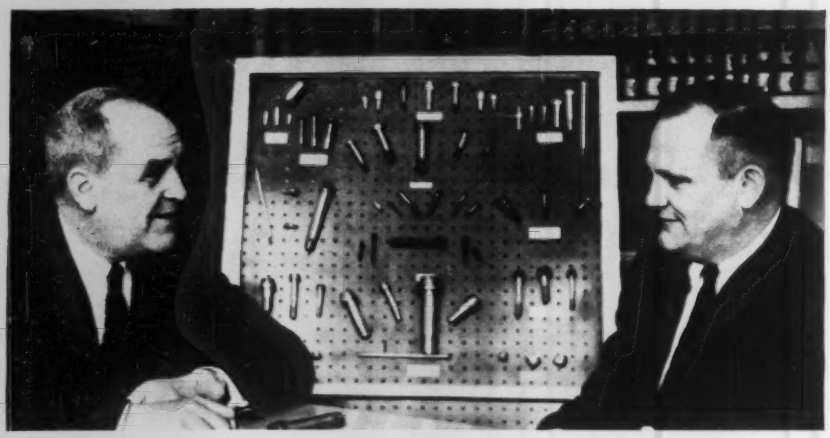

Mr. H. Thomas Hallowell, Jr., left, and Mr. Robert L. Sproat, Director of Research, right.

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from the U.S. That differential increases or contracts, of course, in direct proportion to the fall or rise in the quotations on the Canadian dollar. And it can also be affected by a change in commodity prices on either side of the border.

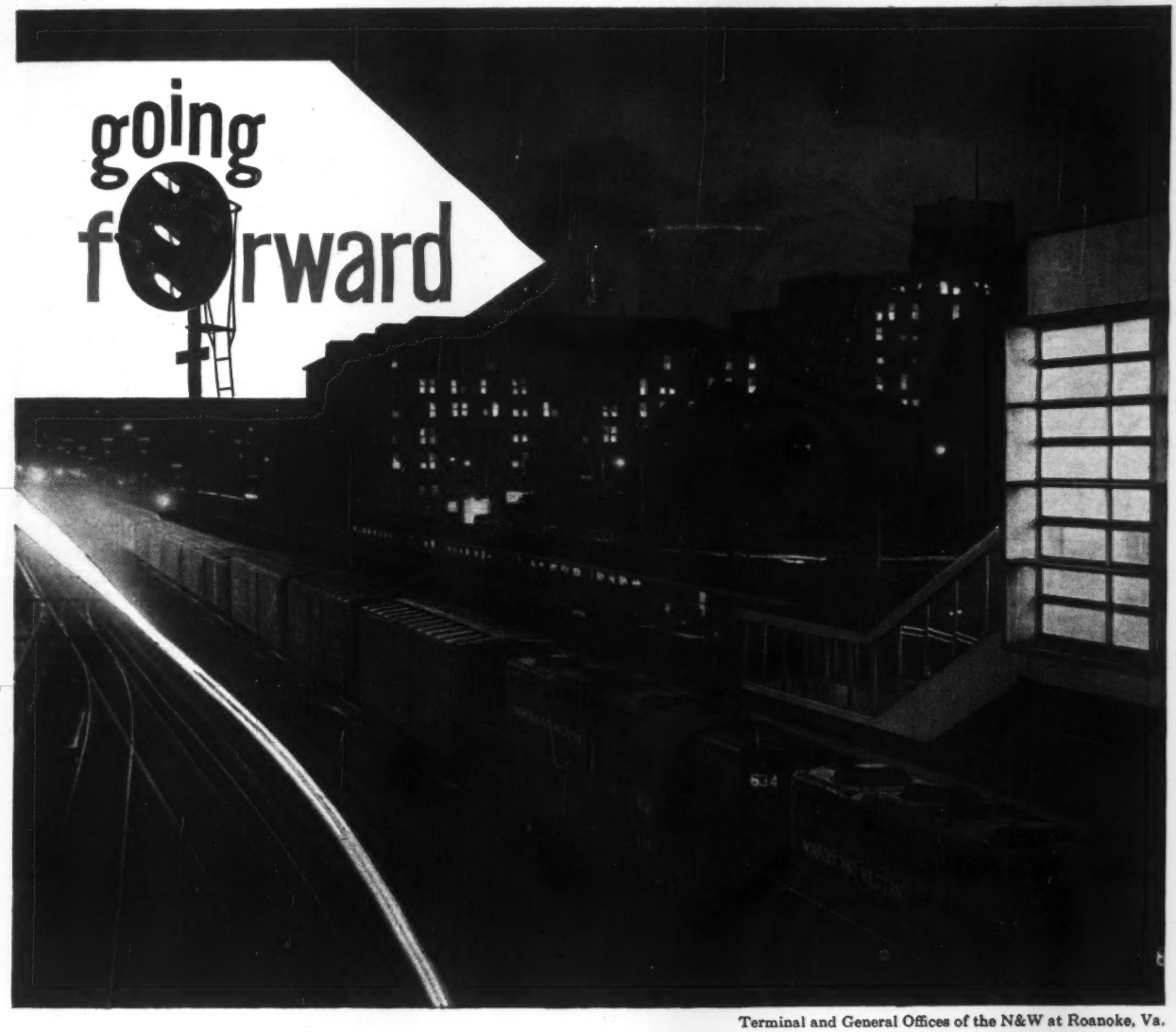
Foreign investors, as well as traders, will feel the effects of Canada's move. In effect, dividends and interest commitments payable in Canadian dollars are subject to a discount when converted into foreign currency. With foreign-held equity at an estimated $20-billion level (almost $3 out of every $4 of Canadian capital investment is foreign-owned), the gross shrinkage here will be considerable.

If the enthusiasm of foreign investors is dampened by devaluation, many Canadians who had chafed at the heavy "absentee ownership" of Canadian industry will have cause to rejoice. Meanwhile, however, the specter of inflation—a close cousin of devaluation—lurks in the background.

Across the Pacific in Japan, a different problem is confronting government fiscal authorities. Booming trade, both domestic and international, has filled the Japanese exchequer of reserves to the point where the International Monetary Fund favors removal of foreign exchange restrictions, thus upgrading the Japanese yen to the same status of free convertibility as the U.S. dollar and other prime currencies of the Free World.

With foreign currency reserves now in excess of $2 billion and with export orders pouring in from the nearby Asian and Latin American markets, the yen is a likely candidate for convertibility. But Japan's money managers demur. In the words of a Japanese expert writing in the *Asahi Evening News*, they want more time "before they take Japan's industries out of the hothouse of import restrictions and develop them so that they will have the capacity for competition on the international market."

As our Number Two world trading partner (after Canada), Japan exported $1.1 billion in goods to the U.S. last year. Its American imports, at $1.3 billion, were exceeded only by Canada's $3.6 billion. This heavy trade involvement partly accounts for the recent creation of a U.S./Japan Economic Committee, closely patterned after the U.S./Canadian Eco-



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nomic Committee set up several years ago. Headed by U.S. Cabinet and Japanese ministerial officials, it is expected to promote further growth in trade between the two nations and iron out mutual problems.

Gateway to Europe

What is the world's second biggest port?

London? Hong Kong? Hamburg? Guess again. The answer is Rotterdam. A shambles at the end of World War II, this sea gate to the European Common Market today ranks second only to New York among the great ports of the world.

Of the record 82 million tons of dry and wet cargo that passed through Rotterdam harbor last year, some three quarters was European in both origin and destination. The port facilities, which are geared to process 2,000 freight cars a day and 2,000 freighters a month, can accommodate anything from a Rhine River barge to a 60,000-ton ocean liner. About half of Rotterdam's cargo arrives on canal boats and barges, which tie up by the thousands in Rotterdam's sprawling water basins.

Strategically situated to handle this heavy traffic for continental Europe, Rotterdam enjoys the status of a free port. Goods can be stored, processed, and transhipped without paying Netherlands customs levies.

More growth for Rotterdam is now in prospect. Under the Europoort (Gateway to Europe) Plan, scheduled for completion by 1964, Rotterdam's forest of cranes, storage tanks and smoke stacks is spreading out to cover thousands more acres, keeping the great port's capacity abreast of the fast-growing volume of European trade.

New Market Research Aid

U.S. Foreign Service despatch reports, which so far have not been regularly available in published form, are now available on a loan basis. These reports, which cover a variety of international industrial and commodity categories, are particularly helpful in foreign market research. A list of the subject titles, published twice monthly, is available from U.S. Department of Commerce field offices or from the Trade Development Division, U.S. Department of Commerce, Washington 25, D.C. END

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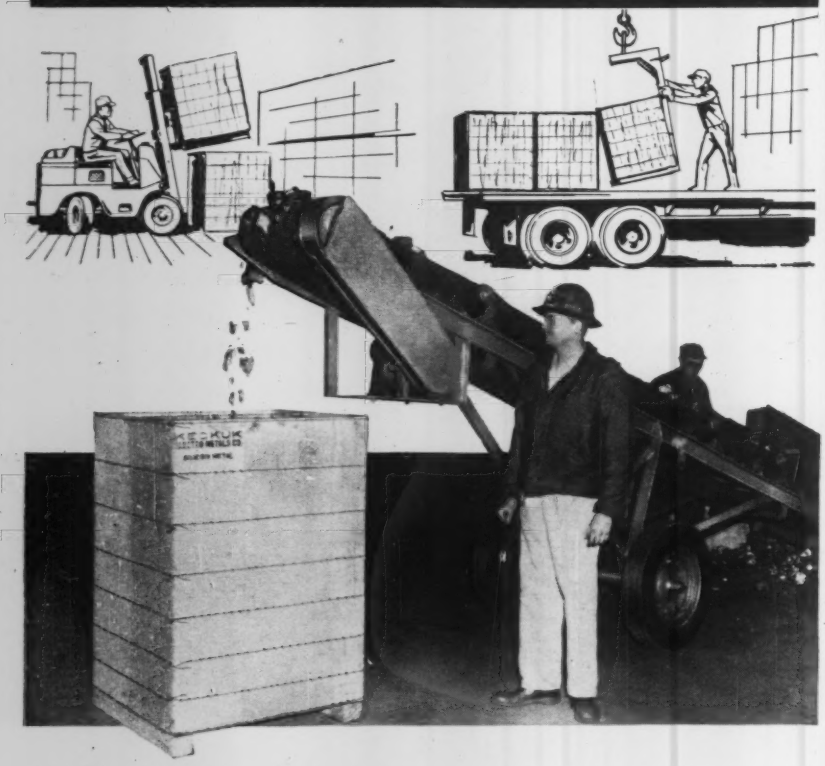

Replacement of bulk shipments of metallurgical alloys with 2240-lb. (long-ton) and 4000-lb. loads in Wirebound pallet boxes has resulted in safer shipments of mixed loads of alloys—and speedier, more economical materials handling for the Keokuk Electro-Metals Company of Rock Island, Washington.

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WHAT would a drugstore be without a full line of alarm clocks, beach balls and teddy bears? A much more profitable operation, in the opinion of aggressive, young (35) President Bernard Shulman of the fast-growing Regal Drug Store chain.

Five years ago Shulman set out to prove it. His experience operating a traditional drugstore had convinced him that profits from prescription and cosmetic sales were the basis of successful drugstore operations. And those profits, in Shulman's view, were going down the soda-fountain drain when high-salaried pharmacists were obliged to spend their time policing magazine racks, novelties and shelves of miscellaneous hardware. Accordingly, he decided to shed the department-store trimmings, test his hunch that a straight drug operation would revitalize those tired profits.

In making this move, as Shulman was well aware, he was bucking a powerful trend. Large drug chains had been moving heavily into self-service, adding new appliance and hardware lines and opening sprawling units that were virtually indistinguishable from general-line discount stores. In doing so, of course, they were only keeping pace with the nearly universal swing in retailing that has brought appliances into variety stores, ice-cube vending machines to gas stations and underwear racks to the supermarket.

Undaunted by all this, Shulman launched his first specialized discount drugstore in Cleveland in 1956. By cutting out the extras, he was able to offer shoppers a saving of 25% or more on traditional drugstore prices. And those savings did not apply to cosmetics alone. Significantly, they were extended to high-margined prescriptions. To consumers irritated by high prescription costs, Shulman reasoned, his low prices should be a soothing balm.

In the five years since, Shulman's bet has paid off spectacularly. Headquartered in Detroit, his company

Sales & Distribution

GROWTH FORMULA for an infant drug chain: self-service minus frills plus an average saving of 25% to the customers—even on prescription-counter items.

had grown by last spring to a twenty-store operation, this summer added 41 more outlets when Shulman plunked down $2 million for the conventional stores operated by the Standard Drug Co. Conversion of these stores into Revco Discount Drug Centers will be completed by early fall.

Such growth has also brought other changes to Shulman's operations. With total sales volume now running at about $20 million, he has been able to add such refinements as a computer to keep store inventories closely in line with consumer demand. The resulting tight control gives Shulman one big advantage. Unlike conventional drugstores, his discount stores need not use basements to store their stock. Instead, drug and cosmetics are supplied from warehouses as needed. In consequence, inventory in a Revco store turns over an astounding twenty times a year, compared to four for a conventional chain drug store.

Stable Salesmen

A good man is hard to find, particularly in the sales end of the business. And he is just as hard to hold on to. Or so top management has long believed.

The facts, though, appear to give the lie to their gloomy assumption. That, at any rate, is the conclusion of a Chicago-based executive-recruiting firm. Checking through its files on 500 executives, covering a ten-year period, Conley Associates, Inc.

» *Rapid growth of a discount drug chain points a lesson: never underestimate the drawing power of a cut price.*

» *Who said sales managers were itchy-footed? A new survey shows they are just about the steadiest of the lot.*

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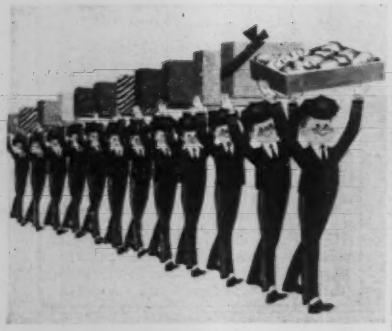

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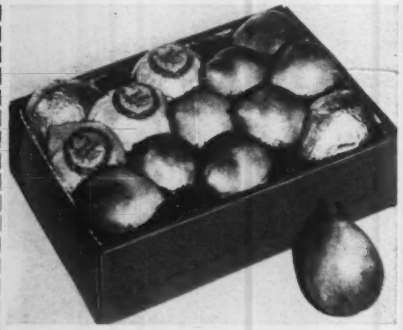

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found that industrial sales managers showed less of an itch to jump from job to job than other management men.

Conley's criterion of executive mobility was a fairly broad one: What percentages of 100 executives in each of five management categories had held two or more jobs during the previous ten years? Not surprisingly, consumer advertising managers scored highest in mobility at 80%. They were followed by industrial advertising managers, 70% of whom had held two or more jobs in a decade. Then came production executives at 68% and chief engineers at 52%. Bringing up the rear were the industrial sales managers with a low score of 38%.

Even among those 38 executives, job-jumping was on a modest scale. Only four of them, Conley reports, had held more than three jobs during the ten-year period.

Why Imports Keep Growing

How do consumers feel about imports? Judging from the growth in import sales, up almost fourfold in the past ten years on manufactured goods, the answer to that question is not too dark a mystery. But to U.S. manufacturers looking for ways to counter the threat to their markets, the sales figures alone provided little usable ammunition. What they needed was a detailed analysis of public attitudes toward imported radios, typewriters, cars and other finished products.

To get the answers, Opinion Research Corp. of Princeton, N.J. set about sampling attitudes across the nation. Their findings offer little cheer to American firms in lines hard hit by foreign competition. By and large, in fact, the U.S. man in the street looks with considerable favor on the imports.

For evidence, consider these results of the Opinion Research project:

- Only 20% of the people questioned think the U.S. is hurt by imports; 59% look upon them as beneficial. And this despite the fact that more than half the people questioned believe that U.S. manufacturers are losing business to foreign manufacturers.
- Are imported products reliable? The answer is a resounding (by seven to one) yes. Of those who had bought imported products during the

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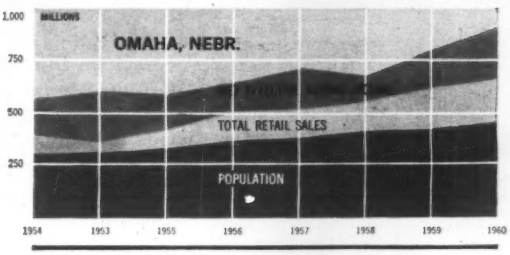
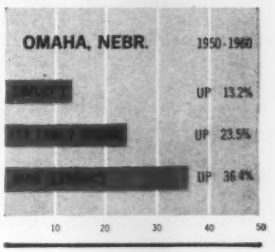
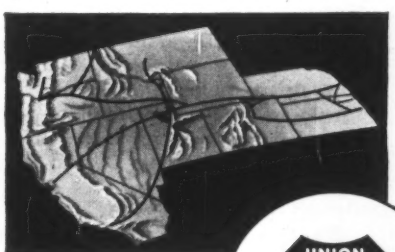




Locate in the West— where 9 out of 10 industrial markets are outpacing the national growth.



A midpoint in our nation, Omaha is a natural gateway between the east and the west. Understandably, much transcontinental traffic is handled here. With its industrial diversification, this is a balanced labor market.

The charts show a healthy growth, indicative of Omaha's economic stability, so essential to industrial progress.

Union Pacific's industrial tract, as shown in the photograph, offers some attractive sites for plant purposes. All utilities and trackage are immediately available.

Excellent transportation for Omaha industries is a Union Pacific feature. This railroad's record for outstanding freight service through the West is a distinct advantage.

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past two years, all but 14% reported satisfaction.

• Who buys imported products? Significantly, it is the young adult group, in all probability a sign of still more success for foreign-made products in the years ahead.

For clues on how to beat those foreign competitors in American markets, Opinion Research offers one significant finding. U.S. products, it found, score high in the consumer's mind on service, ease of maintenance and guarantees. Where foreign products have the edge is in workmanship, material and over-all quality.

To that list another element might well be added: price. When asked how American products could be made more competitive with their foreign-made rivals, more than one third of those questioned had one succinct piece of advice: "Cut prices."

Hitting the Rails

On the surface, most railroad presidents view the steady downgrade of their passenger business with a sigh of relief. Since it allegedly adds about $700 million to the loss side of the ledger each year, they reason, the rails would be better off without it.

At least one railroad man, though, is doing all he can to get more of that passenger business. For President Harry C. Murphy of the Chicago, Burlington & Quincy Railroad, such efforts are perfectly logical. Passenger traffic not only contributes directly to the Burlington's profits, but stimulates its bread-and-butter freight business as well. Accordingly, Murphy is striving mightily to attract business that other roads prefer to slough off.

Special excursions are a large part of Murphy's strategy. Last spring, for instance, nearly 1,500 tourists shelled out $69.96 each one weekend for a jaunt to Colorado which was promoted as "Springtime in the Rockies."

Such tactics, Murphy has found, pay off. The Burlington has steadily enlarged its share of the total passenger business of the western railroads. Last year its passenger revenues hit an all-time high of $21.4 million, a figure Murphy hopes to better by 5% in 1961.

So vital does Murphy consider his passenger business, in fact, that he keeps a sizable sales force beating the bushes to get group parties, convention goers and others back on the Burlington track. —T.K.

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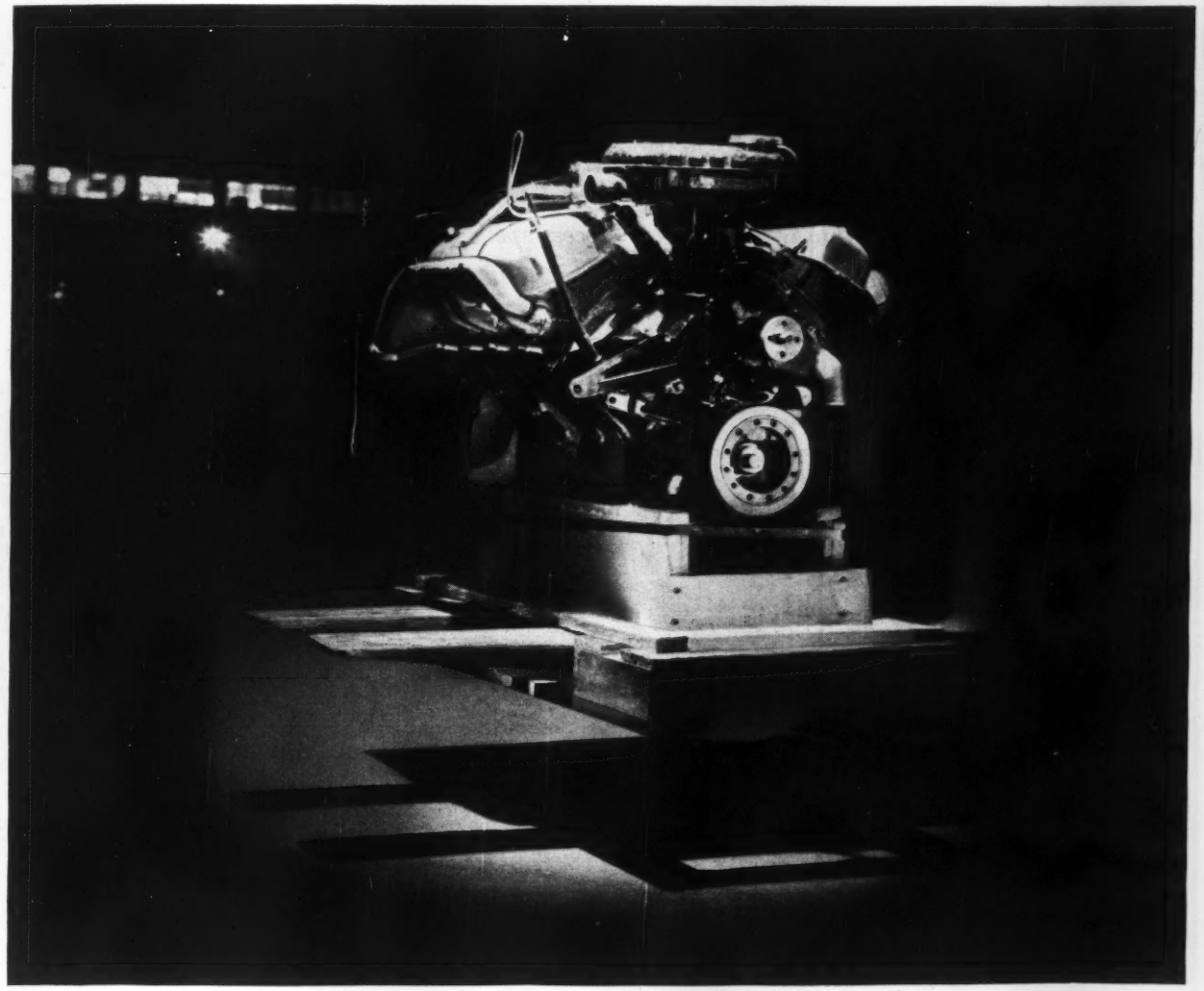

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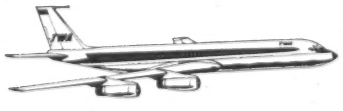

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Inside Industry

- *After a long dry spell, parched electronics firms cannot help seeing a silver lining in those Berlin storm clouds.*
- *New process spells growth for wool textile makers, dark days ahead for the ancient sponging industry.*

COSTLY SKILLED LABOR is vital in defense electronics work. Here, cable harnesses are fashioned at a plant of General Precision Instrument Corp.

"WE WERE ready to close our doors a few months ago," says the president of a small manufacturer of military electronic equipment. "The only thing that saved us was President Kennedy's speech on Berlin."

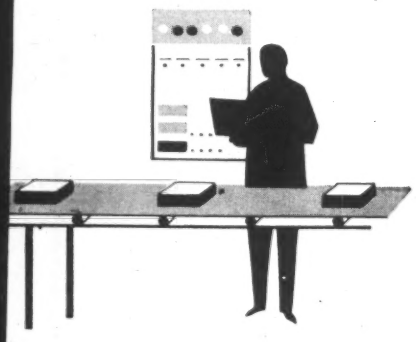
That statement has been echoing across a broad segment of the electronics industry in recent months. While the total growth rate continues at a fast and furious pace, trouble has struck more than one part of the industry—bringing with it increased reports of below-cost bidding on government contracts, chaotic prices in transistors and frequent reshufflings of high company officials.

Segments of this broad and variegated industry have been affected in different ways. The "electronic engineer with an idea" is still starting new companies, usually on the financial shoestring that has become virtually a tradition in the business. Already made up of 5,500 manufacturing plants and 1,700 distributors, the industry is continuing to open up new plants at the rate of 50 to 75 a month. On the other hand, failures among electronic distributors have lately been running 50% higher than last year, and many small manufacturers have been trending perilously close to the brink.

Trouble in transistors

As many of the leaders of the industry see it, these troubles may continue this year—and at least partly because of the management practices of some individual companies. Consider the transistor makers, who have been hit both by Japanese imports and wave after wave of price cutting. "The toughest job of all in this transistor business," says Dr. C. Lester Hogan, manager of Motorola Corp.'s semiconductor division, "is learning how to manage inventory."

That problem arises from the nature of the transistor itself. When the manufacturer produces a certain type



of quality transistor, he can never hope that all of his output will meet that quality. Sometimes, in fact, he is lucky if 40% of them are up to standard. The rest, which are known in the industry as "fall-outs," are still good transistors, but they cannot be sold at premium prices.

But the manufacturer who hesitates to let them go at a lower price, then is making trouble for himself. Either he must sell them later for whatever price he can, or write them off. At the present time, many industry insiders feel that the semiconductor manufacturers are in for another round of trouble partly because many of them did not write off these transistors last year. Having refused to value them in their inventories at the written-down price during 1960, these companies will be paying the inevitable financial penalty in lower earnings this year.

Still other manufacturers, of course, are finding that those original financial shoestrings on which they were founded are wearing even thinner. Desperate for capital, many of them must either merge with other companies or further advance already generous credit terms in order to keep their wares moving.

The trend to generous credit has been particularly evident in vacuum-tube sales. One of the big tubemakers, for example, has been using credit as a tool to grab off a larger share of what is still a big, but shrinking, market. In fact, some of this company's major distributors have been permitted to run up bills in amounts two or three times their asset value. And they do not have to remit for a year or more.

With terms like that being given in the industry, and low profit margins, some of the small tube-makers, including subsidiaries of even such

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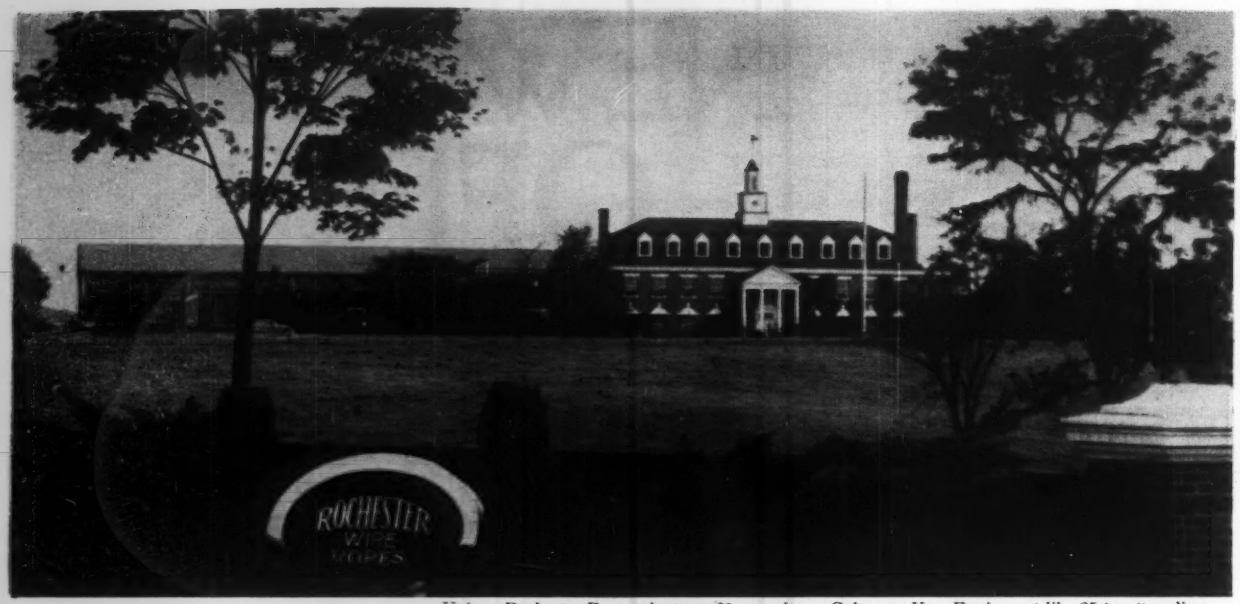

Unique Rochester Ropes plant, on 20-acre site at Culpeper, Va. Equipment like 25-ton traveling crane, 120-foot-long stranding machine and big closing machine are housed in building of gracious colonial architecture amid plantation-like surroundings.

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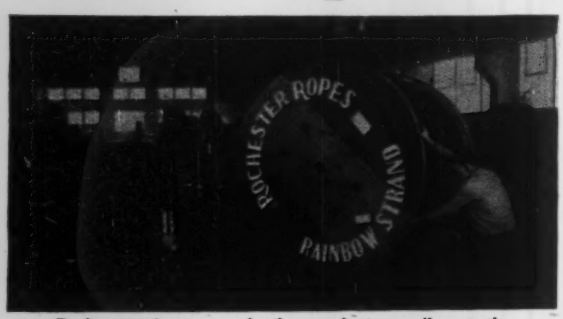

Rochester wire rope and other products go all over the world for use in industries of many sorts. Wire rope ranges from $\frac{1}{4}$" steel thread to 3" hawsers. A complete laboratory maintains quality control.

EMPLOYEES are largely Virginians with farm backgrounds, a factor contributing to initiative and versatility. Many have spare-time farms. Plant's 3 top engineers are graduates of Virginia Polytechnic Institute.

When Rochester Ropes, Inc. — a leading manufacturer of wire rope — sought a new location, many states were considered. Final choice was Culpeper, Virginia. In a way, this was a homecoming, since the Rochester family, still at the company's helm, were Virginians who commenced manufacturing rope in the late 1700's. Reasons for choice: excellent rail and highway transportation, pleasant living for management, wholehearted community cooperation and, above all, the intelligence, integrity and skill of local manpower. Today, with 200 employees, turnover is virtually nil, safety records excellent. Workers have demonstrated versatility by even helping to build many of the plant structures. Success of the move to Virginia is proven by the fact that business has expanded five-fold.

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strong companies as CBS and Philco Corp., have been forced out of the business.

Another form of slow paying continues to plague the industry. This, notes Charles Poppi, executive vice president of Huyck Instruments, is the rate at which the Government pays its suppliers. "The Government pays the prime contractor slowly," Poppi points out, "often stopping at 70% of total cost until every piece of equipment is delivered. In turn, the prime pays the subcontractor slowly, and so on. We've all just gotten used to it."

With such problems, other segments of the industry besides the tube and transistor makers are in trouble. Many of the small outfits that bid on not-too-exotic military equipment contracts have their backs against the wall. Some are knowingly bidding below cost to gain contracts at any price just to hold their organizations together. In fact, more than one big, traditional military supplier has lost orders to small companies whose bids were unrealistically low on some of those contracts.

For all their present troubles, though, few defense contractors are firing engineers the way they did during the 1957 defense budget cutbacks. Many are temporarily assigning high-priced engineering talent to relatively lower-grade work, such as technical writing. In desperation, some even began to try for technical writing contracts, though still competing for engineers and scientists.

Kennedy's Berlin speech has convinced the defense contractors that their present trouble may be compara-

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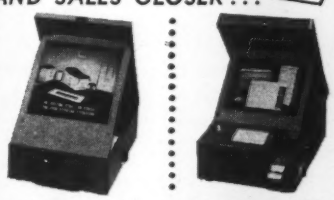

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tively short-lived. The speech, they feel, coupled with new spending enactments, should put cash in their hands fairly soon. As they are quick to note, the electronics share of defense spending, despite temporary ups and downs, has increased steadily through the years.

Part of the pressure on earnings, it is true, can be blamed on a healthy development. Many electronic companies are moving into the industrial market. Unlike the military market, which is comparatively circumscribed, this market is made up of hundreds or thousands of customers. To reach them, electronics companies have to build nationwide sales organizations, a costly operation.

The alternative is to sell through a distributor who knows the industrial market. Because many smaller companies choose this route to diversified sales, industrial distributors have been huge successes. On the whole, their volume has gone up 320% in just ten years.

New Ways for Wool

Technological Obsolescence — the force that has claimed so many industries—is threatening one of America's oldest. A new technique for making wool shrink-resistant could wipe out the ancient sponging industry which goes back for 5,000 years. These are the people who shrink woolen fabrics slightly before they are cut up and sewn into garments, blankets and other consumer goods. The New York area alone has at least a hundred shrinking works.

But if the shrinking works are in danger, the new process may well revitalize large parts of the textile industry. Unlike other techniques for making wool shrink-resistant, the "interfacial polymerization" method developed by Department of Agriculture researchers lends itself to inexpensive continuous processing. In the past, American woolen fabricators could not take to earlier British and Australian shrink resistance techniques that involve slow, costly "batch" processing.

Along with its lower cost, the new process makes the fibers stronger and more abrasion-resistant than other processes. As a result, these two qualities should make treated wool more competitive with synthetics for carpeting. In this market, wool has been losing out steadily to nylon and other man-made fibers.

The synthetic fiber producers, it should be noted, will not lose out entirely, because the same chemicals that coat wool fibers are also used to make nylon.

Wool producers also hope that the new process will help them to recoup some of the blanket market. Particularly, in hospitals, machine-washable synthetic fiber blankets have been knocking out traditional wool. By making wool blankets machine-washable, the polymerization process, combined with wool's natural fire resistance, should make the natural fiber acceptable once more in this lucrative market.

For consumers, the process will add little or nothing to the price of the woolen products they buy. Treatment costs only about 5 cents a yard, which is about the same amount charged by the spongers. Although the spongers provide an additional service of inspection, this is hardly likely to guarantee survival of their industry, already hit by the growing practice of preshrinking wool at the mill. —M.M.

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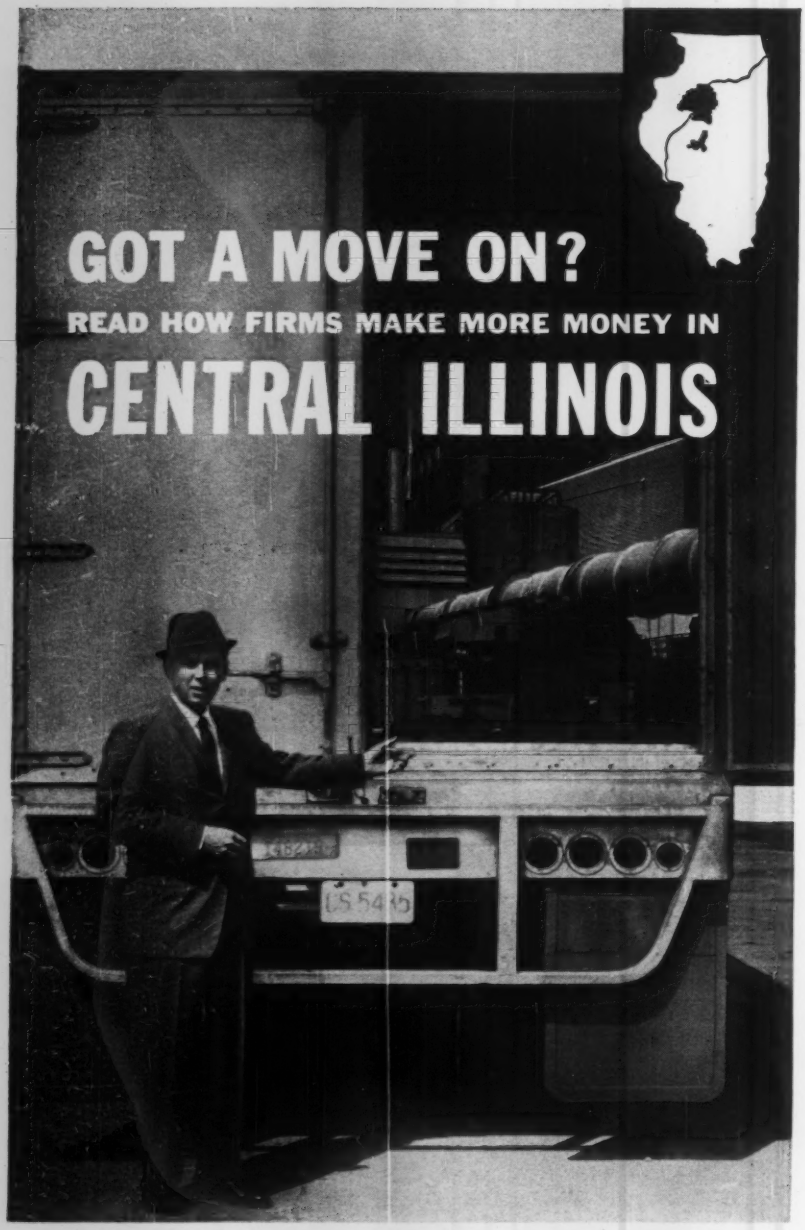

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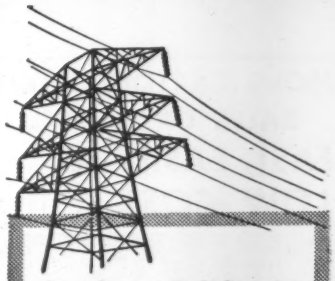

Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 209
65 cents per share;

CUMULATIVE PREFERRED STOCK,
4.32% SERIES
Dividend No. 58
27 cents per share.

The above dividends are payable September 30, 1961, to stockholders of record September 5. *Checks will be mailed from the Company's office in Los Angeles, September 29.*

P. C. HALE, *Treasurer*

August 17, 1961

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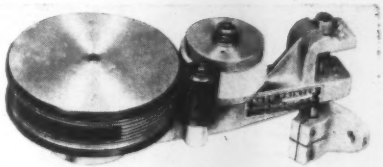

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The Reviewing Stand

Tangled Taxes

Tax, a word that derives from the Latin verb "to touch," can have a variety of meanings ranging from the soft touch of the hidden tax to the hard touch of the direct tax.

It seems to be generally agreed that a new design of tax legislation is needed to eliminate the incongruities and inequities that aggravate the businessman. Congressmen, businessmen and economists have all done a lot of debating on the subject.

One of the biggest problems is to write a legislative formula of taxation to provide revenue without destroying individual incentive or warping corporate judgment. Like the single-tax philosophers who decry laws that penalize property improvements, the advocates of income-tax reform ask for the removal of punitive and discriminatory hobbles on the men who create opportunity and wealth for others as well as for themselves.

Many questions are being asked about the method and morality of taxation. Among them are these:

Is the corporate profits tax, as some of its critics claim, really a sales tax which is passed on to the consumer—even in times when competition is keen and profit margins are shrinking? Are depletion allowances justified for oil producers and not for manufacturers whose capital is likewise depleted by the depreciation of machines and property? Are individual tax collectors given too much discretion in pursuing delinquents and adjusting accounts? Do expense accounts tend to destroy executive morale and provide an easy tax dodge for unprincipled sales promotion?

Despite his griping, no citizen—businessman or employee — should object to paying his share of a tax or tithe that is wisely conceived and justly administered. But he has a right to howl when, as a result of the hodgepodge of legislation that exists, he is asked to assume more than his share of the burden.

Unwelcome Candor

The eminent critic John Muir once received a book of verse from a Scottish lady who asked for his comments. With some restraint, he complimented the lady on her lofty ideas but suggested she might improve her versification with more study. The lady's response was indignant. "I am outraged by your criticism," she wrote, "I know my book is good. What I want to know is *why* it is good."

In business management as well as in art, it is human nature to expect flattery when we ask for criticism or suggestions. But competition, and the profit motive especially, prove that candor is more helpful than compliments when it comes to measuring quality.

In Praise of Exercise

Brain strain may be the result of the creation of ideas or the tension of decisions—yet few people suffer from hernia of the intellect. Mental muscles are damaged more by lack of activity than by the weight-lifting of ideas. In conceiving ideas and translating them into positive and beneficial action, men are as young as they think and as wise as they act. Kennedy at 44 and Adenauer at 85 stand at the same level of time and place when making judgements that influence the future of mankind. The mind offers infinite resources for the expansion of man's effort in moral, scientific and economic adventure. But like the body, it weakens and grows flabby without exercise. —A.M.S.

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